



# City of Warren

MICHIGAN

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2004**

PREPARED BY:  
CONTROLLER'S OFFICE  
RICHARD A. FOX, CONTROLLER

Member of Government Finance Officers Association  
of the United States and Canada

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Warren</b>		County <b>Macomb</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>4/5/05</b>	Date Accountant Report Submitted to State: <b>4/12/05</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as amended.
2. We are certified public accountants registered to practice in Michigan.

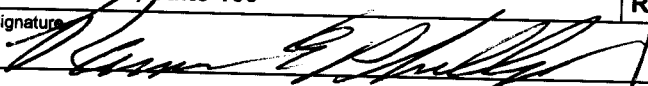
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Ramie E. Phillips, Jr., PC, CPA</b>			
Street Address <b>1130 Tienken Court, Suite 100</b>		City <b>Rochester Hills</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48306</b>	Date <b>4/5/05</b>

# City of Warren

**MARK A. STEENBERGH**  
MAYOR



**29500 VAN DYKE AVENUE  
WARREN, MICHIGAN 48093**

## ADMINISTRATION

City of Warren was incorporated January 1, 1957, under Act 279, P.A. 1909 as amended (Home Rule Act). The 2000 population per Federal Census, 138,247.

City is administered by a Mayor, Council of nine members, Treasurer and Clerk, all of whom are elected for four year terms.

## PRESENT ELECTIVE OFFICERS

*(Terms expire November 10, 2007)*

### MAYOR

**MARK A. STEENBERGH**

### TREASURER

**MARILYN MARCHWINSKI-MARROCCO**

### CLERK

**RICHARD P. SULAKA**

### COUNCIL

**JAMES R. FOUTS, *President***  
**MARY M. KAMP, *Vice President***  
**KATHY J. VOGT, *Secretary***

**MELINDA S. MOORE, *Asst. Secretary***  
**DONNA L. CAUMARTIN**  
**MICHAEL W. CHUPA**

**CAROLYN K. MOCERI**  
**KEITH J. SADOWSKI**  
**MICHAEL J. WIECEK**

## DEPARTMENT HEADS

*(Appointed Officials)*

**RICHARD A. FOX, *City Controller***  
**PHILIP O. MASTIN III, *City Assessor***  
**ROBERT VOUGHT, *Fire Commissioner***  
**JAMES P. VOHS, *Police Commissioner***  
**GEORGE G. CONSTANCE, *City Attorney***

**ROBERT W. SLAVKO, *Public Services Director***  
**HENRY D. BOWMAN, *Parks and Recreation Director***  
**EDWIN A. BAYER III, *Planning Director***  
**DENISE L. WILLIAMS, *Director of Personnel***  
**Management**  
**AMY L. HENDERSTEIN, *Library Director***

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Office of the Controller  
29500 Van Dyke Avenue  
Warren, Michigan 48093  
(586) 574-4600

Richard Fox  
City Controller

April 6, 2005

To the Honorable Mayor, Members of City Council  
and Citizens of the City of Warren

In accordance with City Charter and State Statute, the City of Warren is required to publish a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited by a licensed certified public accounting firm in accordance with generally accepted auditing standards. Pursuant to those requirements, the City Controller's Office hereby submits the comprehensive annual financial report of the City of Warren for the fiscal year ended June 30, 2004.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a framework of internal controls that is designed to both protect the City's assets and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by the certified public accounting firm of Ramie E. Phillips, Jr., P.C. The purpose of an independent audit is to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2004 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The City's financial statements have received and "unqualified opinion" from the independent auditor. An unqualified opinion is the best opinion an organization can receive. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

#### General Information

The City of Warren was incorporated as a home rule City on January 1, 1957. The City is governed by a nine member Council, Mayor, Treasurer and City Clerk, all of whom are elected to a maximum of three four-year terms. The City encompasses 34.5 square miles (22,080 acres) of the southwestern section of Macomb County where it is adjacent to the City of Detroit. The City's boundaries are Eight Mile Road on the south, Fourteen Mile Road on the north, Dequindre Road on the west and a parallel line running due north from the Gratiot-Eight Mile Road intersection on the east. With a population of 138,247 (2000 census figure), Warren remains the third largest city in the State of Michigan.

Warren is an area rich with ethnic flavor and charm. We are proud of our community, from its rural beginnings to its phenomenal growth and its unique blend of industrial innovation, residential comfort, and educational and cultural opportunities.



## General Information (continued)

Unquestionably contributing to the economic vitality of the City is the presence of General Motors Corporation and Daimler-Chrysler Corporation automotive facilities. Warren is proud to be the home of General Motors Technical Center, a 330-acre complex housing General Motors Corporation staff operations; research laboratories, engineering, and design. General Motors Corporation also operates the Hydramatic Plant on a 117-acre site within the city. Daimler-Chrysler Corporation has three major facilities in Warren. Occupying a 224-acre site, this complex includes the Dodge Truck Assembly Plant, a stamping plant and a paint plant. The presence of General Motors Corporation and Daimler-Chrysler Corporation represents approximately 16% of the City's state equalized assessed valuation. General Motors has undertaken an investment in its Technical Center facility in excess of \$1 billion, a further indication of their continued commitment to this community. In the past year, sixteen new commercial and industrial development permits and 137 single-family and multiple-dwelling residential permits were issued representing in excess of \$40 million of additional investment in the City.

The South Campus of Macomb Community College, the state's third largest college, is a public college located on a 100-acre site on Twelve Mile Road. The college, which offers courses in liberal arts, general education, allied health, applied technology and public services, is accredited by the North Central Accreditation Association. Davenport University also has a Warren Campus located on Dequindre, north of Eleven Mile Road.

Protecting the lives and property of Warren's citizens is the mission of our public safety departments. The Fire Department strives to ensure that the best fire extinguishment and emergency medical service is available. The Police Department operates an Emergency 911 System to afford residents the quickest possible response to any emergency situation. The City maintains a significant investment in equipment, facilities and personnel to provide our community the comfort of safe neighborhoods.

The mission of the Warren Public Library is to improve the quality of life of the entire community through services and resources promoting educational, cultural, social and economic well being, as well as lifelong learning and enjoyment. Further emphasis is placed on stimulating young children's interest and appreciation for reading and learning and to encourage literacy among all ages. There are four branch libraries in the City, two serving the northern area - the Walt Whitman and Arthur Miller branches and two in the south area - the Dorothy Busch and Maybelle Burnette branches. Each branch is unique and some have specialty collections. The Burnette Branch has a crime prevention collection and an Irish collection. The Busch Branch has a parent-teacher collection and an extensive young adult collection. The Miller Branch is located in the Warren Community Center and has a Law, Business, and large sheet music collection. The Miller Branch is a U.S. Government document depository. All libraries have large print collections and also provide adaptive devices for the visually impaired. Wireless Internet access is a new service that will be available in January 2005. Special programs are a vital part of the library's service to the community. Throughout the year, children's story time and other presentations are provided for all age groups. As part of the Suburban Library Cooperative, patrons have access to all materials in any library in Macomb County.

The City of Warren has developed 325 acres into 24 city parks. Halmich Park, the largest of the city parks sits on approximately 80 acres and has four-lighted baseball diamonds, soccer fields, a concession stand and picnic pavilions. The City operates four indoor recreational facilities: the Warren Community Center, Owen Jax Recreation Center, Ridgewood Recreation Center and the Stilwell Manor Senior Drop-In Center. The Warren Community Center opened its doors in 2003. Formerly known as the old "Warren High School", the City purchased the then vacant facility and its adjoining 48 acres from the Warren Consolidated School District and developed it into a state-of-the-art community and recreational centerpiece. The facility houses the Parks and Recreation, Communications Department and City Council offices as well as the Miller Branch of the Warren Public Library. The facility operates a year round aquatics center which includes a 150 foot water slide, a lazy river, play structure and lap pool. In addition there are three gymnasiums, multi-purpose meeting rooms, an auditorium and fitness center. The exterior grounds include a lighted football stadium, walking paths and irrigated soccer fields. With grant assistance from the Michigan Department of Transportation, the Recreation department continues to offer specialized transportation for seniors and special populations. The Parks and Recreation Department offers many year-round recreational programs, including baseball, softball, basketball, volleyball, swimming, bowling, arts and crafts, music, theater and dancing. Programs service pre-school children to senior citizens. Summer concerts are conducted by the City's Cultural Commission and the Parks and Recreation department. The department operates on a voter approved one-mill levy that enables the Parks and Recreation Department to maintain, improve and expand its programs and facilities.

The City's Public Service Department provides a variety of services to the City's residents. Amongst these are weekly garbage collection; street maintenance, including snow and ice removal; building inspections; operation of the Waste Water Treatment Plant and the Water and Sewer System.

Affordable and safe housing is provided to Warren seniors through the operation of its 366 unit Senior Citizen Housing Complex.

## Reporting Entity

In conformance with criteria established by the Governmental Accounting Standards Board (GASB), the financial statements report all the funds of the City and its component units. Component units are separately legal entities for which the primary government is financially accountable. The component units of the City include the Tax Increment Finance Authority, Downtown Development Authority and Building Authority. Due to the degree of control exercised by the primary government, its financial relationship with each component unit and the component unit's benefit to the primary government, each component is reported in the accompanying financial statements as blended component units.

## Report Organization

The Comprehensive Annual Financial Report was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

**Introductory Section.** This section introduces the reader to the City of Warren and to this report. Included in this section is a list of the principal officials, table of contents, this transmittal letter, and the City's organizational chart.

**Financial Section.** The independent auditor's report, management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements and required supplemental information is included here.

**Statistical Section.** Although this section contains substantial financial information, these tables differ from financial statements in that they present some nonaccounting data, encompass more than the current year, and are designed to reflect social and economic data, financial trends and fiscal capabilities of the City.

**Federal and State Projects Funds Compliance Reports.** The City is the recipient of a number of federal and state grants. This section reports to the granting agency how the City has allocated or expended funds relative to the terms and conditions of the grant.

## Accounting Systems, Budgetary and Internal Controls

The City's accounting system is organized and operated on a "fund basis". Each fund is a distinct, self-balancing entity created to account for all assets, liabilities, financial resources and uses associated with its intended purpose.

Annual balanced budgets are adopted for all the primary government's General, Special Revenue and Debt Service Funds as required by the Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act. Although not required, budgets were formally adopted for the proprietary funds and Sewage Disposal Plant Expansion Capital Projects Fund to assist management in monitoring operations.

The City Council, by resolution, adopted a budget on a specific line item basis for the city departments, divisions, boards, commissions and other activities. Budgets for the General, Special Revenue and Debt Service Funds were adopted on the modified accrual basis of accounting consistent with generally accepted accounting principles.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal control represents the organization's plan of procedures associated with safeguarding assets and maintaining the integrity of financial records and consequently is designed to provide reasonable assurance that:

- transactions are executed in accordance with management's general or specific authorization.
- transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles, or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.
- access to assets is permitted only in accordance with management's authorization.
- the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## General Governmental Functions

The City provides a full range of municipal services contemplated by statute and charter. This includes police and fire, sanitation, parks and recreation, libraries, public improvements, planning, zoning and general administrative services. These activities are accounted for in the Governmental Funds, consisting of the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds. A description of each fund type and their respective funds is presented below. Significant variances in revenues, expenditures and changes in fund balance compared to the prior fiscal year are discussed below and in the Management's Discussion and Analysis (MD&A) report that follows.

The **General Fund** accounts for all financial resources except those required to be reported in another fund. Information relative to the General Fund's revenues and expenditures are shown below:

### General Fund Revenues and Other Financing Sources

	<u>Amount</u>	<u>Percentage of Total</u>	<u>Increase (Decrease) from 2003</u>
Property taxes	\$ 54,381,185	61.7%	\$ 614,991
Licenses and permits	1,655,809	1.9	( 13,418)
Intergovernmental:			
Federal revenue	922,247	1.0	192,008
State revenue	15,549,068	17.6	( 1,513,979)
Local revenue	483,873	0.5	62,179
Charges for services	869,762	1.0	( 110,474)
Fines and fees	4,666,970	5.3	525,486
Interest on investments	753,850	0.9	( 239,478)
Miscellaneous	<u>5,380,553</u>	<u>6.1</u>	<u>1,164,013</u>
Sub-total	84,663,317	96.0	681,328
Transfers from other funds	<u>3,515,788</u>	<u>4.0</u>	<u>3,400,090</u>
Total	<u>\$ 88,179,105</u>	<u>100.0</u>	<u>\$ 4,081,418</u>

State Shared revenues decreased once again during the fiscal year. Sales Tax distributions were \$1,683,000 less than the prior fiscal year, following a reduction of \$949,000 in fiscal year 2003 and \$1,412,000 in fiscal year 2002. Interest rates held at or near historic lows resulting in a reduction of investment revenue of \$239,000 as compared to the prior year. The increase in Miscellaneous Revenue was attributable to increasing administrative fees charged to other funds and the sale of the City's two police helicopters. The fiscal year 2004 adopted budget also included a \$3.4 million transfer from the Budget Stabilization Fund to balance current year operations.

### General Fund Expenditures and Other Financing Uses

	<u>Amount</u>	<u>Percentage of Total</u>	<u>Increase (Decrease) from 2003</u>
General government	\$ 22,101,858	25.1%	\$ 606,580
Public safety	56,024,563	63.7	8,935,633
City development	5,766,787	6.6	161,418
Highways and streets	2,201,584	2.5	71,286
Recreation and culture	118,719	0.1	27,204
Debt service	<u>575,325</u>	<u>0.6</u>	<u>( 218,571)</u>
Sub-total	86,788,836	98.6	9,583,550
Transfers to other funds	<u>1,191,859</u>	<u>1.4</u>	<u>298,699</u>
Total	<u>\$ 87,980,695</u>	<u>100.0</u>	<u>\$ 9,882,249</u>

Fiscal year 2004 public safety expenditures increased substantially from the prior year. During the year, the City and the Warren Professional Fire Fighters Association, Local 1383 settled a collective bargaining agreement that previously expired on June 30, 1999. Retroactive wage payments and related benefit expenditures exceeded \$6.0 million. In addition, public safety health insurance expenditures increased \$600,000 and capital expenditures related to federal and state public safety grants increased \$350,000.

## Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Special Revenue Funds of the City include:

The **Michigan Transportation Operating Funds – Major and Local Roads**. Michigan's Act 51 of 1933, as amended, allocates gas and weight taxes to build and maintain roads, road sides and storm sewers, remove snow and control traffic flow.

The **Sanitation, Parks and Recreation, and Library Funds** account for the receipt of dedicated property taxes levied and other resources received specifically for the operation of the respective programs.

The **Community Development Block Grant Program** was established under the Housing and Community Development Act of 1974, as amended in 1977. Federal grants are targeted for neighborhood beautification, improvement and revitalization.

The **Home Investment Partnership Fund** makes available federal funds to expand the supply of decent and affordable housing for low and moderate-income households.

The **Tank Plant Redevelopment Fund** accounts for the purchase of the former Detroit Arsenal Tank Plant from the United States Department of Army and the subsequent redevelopment and sale of property at this site.

The **Communications Fund** was established to account for fees received under provisions of cable television franchise agreements. These fees are to be used for local programming and certain other uses.

The **Rental Ordinance Fund** was established to provide regulation and enforcement of minimum residential rental property standards to protect the health, welfare and safety of the occupants, the property owners and the community. Biennial inspections of residential rental properties are funded through fees collected from the property owners and Community Development Block Grant funds.

The **Budget Stabilization Fund** was established in accordance with State Act No. 30, P.A. of 1978 for the purpose of exercising a moderate degree of fiscal restraint as an integral part of the City's fiscal planning process.

The **Vice Crime Confiscation Fund and Drug Forfeiture Fund** accounts for funds received from confiscation or restitution received from vice crime and drug enforcement operations. These funds must be used exclusively for on police operations.

The **Police Training Fund** accounts for receipt of funds from the State of Michigan to be used exclusively for police training.

Changes in fund balances of the Special Revenue Funds are as follows:

	Fiscal 2004 Fund <u>Balance</u>	Fiscal 2003 Fund <u>Balance</u>	Increase (Decrease) Over <u>Prior Year</u>
Michigan Transportation Operating Funds –			
Major Roads	\$ 7,708,420	\$ 7,345,947	\$ 362,473
Local Roads	2,753,443	3,437,485	( 684,042)
Sanitation	3,924,587	3,884,637	39,950
Recreation	2,600,961	2,100,710	500,251
Library	738,757	710,530	28,227
Community Development Block Grant	56,170	177,649	( 121,479)
HOME Investment Partnership	1,059,382	462,788	596,594
Tank Plant Redevelopment Fund	2,181,326	4,996,157	( 2,814,831)
Communications	2,390,316	2,746,130	( 355,814)
Rental Ordinance Fund	78,880	92,498	( 13,618)
Budget Stabilization Fund	750,000	4,150,000	( 3,400,000)
Vice Crime Confiscations Fund	81,886	93,877	( 11,991)
Drug Forfeiture Fund	312,823	263,229	49,594
Police Training Fund	81,764	72,378	9,386
Total	<u>\$ 24,718,715</u>	<u>\$ 30,534,015</u>	<u>\$( 5,815,300)</u>

Please refer to the Management's Discussion and Analysis report for explanation of any significant variances shown above.

## Debt Service Funds and Debt Administration

The debt service funds, unique to governmental funds, are used to account for the accumulation of financial resources for the periodic payment of principal and interest on long-term debt. Inflows of financial resources from those funds responsible for the payment of principal and interest are recorded as "operating transfers in". The actual payment for both principal and interest to the paying agent are reported as expenditures in the debt service funds. With the exception of the Chapter 20 and 21 Drain Bond Fund and Special Assessment Debt Fund, fund balance in the remaining debt service funds is normally minimal or non-existent.

GAAP, as it pertains to long-term debt, varies substantially between the governmental funds and proprietary funds. In the governmental funds, under the modified accrual accounting method, the issuance and payment of long-term debt is reported in the Statement of Revenues, Expenditures and Changes in Fund Balance; as it represents receipt and disbursement of current available financial resources. In the proprietary funds, under the full accrual accounting method, issuance and payment of long-term debt is reflected on the Statement of Net Assets; as it neither improves nor deteriorates the City's overall financial condition.

Principal and interest expenditures reported in the debt service funds for the fiscal year ended June 30, 2004 as compared to the prior year is as follows:

	2004	2003	Increase (Decrease)
Chapter 20 and 21 Drain Bonds	\$ 654,398	\$ 685,012	\$ ( 30,614)
Michigan Transportation Bonds	2,116,380	2,078,096	38,284
Special Assessment Bonds	745,642	16,683	728,959
Tax Increment Finance Authority	216,488	196,980	19,508
Building Authority Bonds	2,005,226	1,701,390	303,836
Downtown Development Authority	1,151,938	319,846	832,092
Total	<u>\$ 6,890,072</u>	<u>\$ 4,998,007</u>	<u>\$ 1,892,065</u>

The City's current bond ratings as supplied by Standard and Poors is as follows:

Michigan Transportation Bonds	AA-
Special Assessment Bonds	AA-
Tax Increment Finance Authority Bonds	AA-
Building Authority Bonds	AA-
Downtown Development Authority Bonds	AA-
Water and Sewer Revenue Bonds	A

The Mayor, City Council and citizens of Warren can be proud of the City's financial condition, representative of the favorable ratings from Standard and Poors. Warren's bond ratings indicate that the City's bonds are of sound investment grade quality, and that the City has a strong capacity to pay principal and interest when due. In addition, the City's favorable ratings allow the City to issue debt at attractive interest rates, providing funds for City services rather than debt service.

For a more comprehensive analysis of the City's long-term debt, please refer to Note 5 and Note 7 to the financial statements, as well as the debt service schedules presented in the statistical section.

## Capital Projects Funds

Financial resources to be used for the acquisition and/or construction of major capital improvements are accounted for in Capital Projects Funds. The Capital Projects funds of the City include:

The **Special Assessment Funds** account for construction programs where the primary source of revenue to fund the project is special assessments levied against the benefiting properties. The citywide Sidewalk Replacement and Tree Removal Program is reported as a special assessment fund.

The **Michigan Transportation Construction Funds** account for major road improvement projects financed through the issuance of Michigan Transportation Construction Bonds.

The **Sewage Disposal Plant Expansion Fund** accounts for major capital improvements at the Waste Water Treatment Plant financed through the sale of general obligation bonds.

The **Downtown Development Authority** was established pursuant to Act 197 of the Michigan Public Acts of 1975, as amended, to prevent property value deterioration, eliminate the causes of that deterioration, increase property tax valuation where possible and improve the economic growth in the business district of the City. Primary sources of revenues to the Authority are in the form of tax increments, and the Authority also has the power to issue debt.

### Capital Projects Funds (continued)

The Tax Increment Finance Authority was established pursuant to Act 450 of the Michigan Public Acts of 1980 to prevent urban deterioration, encourage economic development and historic preservation in the area of the Van Dyke Avenue corridor between Eight Mile Road and Stephens. Primary sources of revenues to the Authority are in the form of tax increments, and in addition, the Authority has the power to issue debt.

The Building Authority was established pursuant to the provisions of Act 31 of the Public Acts of Michigan of 1948, as amended, to account for the costs of acquisition, furnishing, and operation of buildings, facilities and site improvement projects constructed for the benefit of the City. The primary source of revenue to the Authority is the issuance of debt.

Changes in fund balances of the Capital Projects Funds are as follows:

	Fiscal 2004 Fund Balance	Fiscal 2003 Fund Balance	Increase (Decrease) Over Prior Year
Special Assessment Funds	\$ 1,340,034	\$ 1,870,253	\$( 530,219)
Michigan Transportation Construction	7,161,934	2,629,439	4,532,495
Sewage Disposal Plant Expansion	127,337	131,707	( 4,370)
Downtown Development Authority	32,379,186	19,265,840	13,113,346
Tax Increment Finance Authority	1,082,235	961,138	121,097
Building Authority	517,577	2,242,003	( 1,724,426)
Total	<u>\$ 42,608,303</u>	<u>\$ 27,100,380</u>	<u>\$ 15,507,923</u>

A decreasing fund balance in the Capital Projects Funds does not necessarily reflect any inherent weakness. In most cases, this represents expending resources previously received through the issuance of debt, dedicated towards constructing or acquiring assets that are capital in nature. Conversely, an increase in fund balance in the Capital Projects Funds generally denotes an infusion of resources that have not yet been expended for the purpose intended.

Please refer to the Management's Discussion and Analysis report for explanation of any significant variances shown above.

### Proprietary Fund Types

#### Water and Sewer System

Water and Sewer operations for the fiscal year ending December 31, 2003, resulted in operating income, before depreciation of \$2,101,168 on operating revenues of \$26,992,448. Non-operating items, consisting primarily of interest on long-term debt, accounted for an additional \$1,735,595 of expense for a System net income of \$365,573 before depreciation. With the inclusion of non-cash depreciation expense of \$3,660,788, the net System loss for the fiscal year amounted to \$3,295,215.

Prudent management practices should be employed to assure that future operational and debt service costs are met. The objective should be to generate sufficient revenues to offset the non-cash depreciation expense with such funds appropriated for long term capital improvements.

#### Senior Citizen Housing

The operating income for the Senior Citizen Housing complex, net of depreciation in the amount of \$419,275, was \$430,996 for the fiscal year ended June 30, 2004, on operating revenues of \$1,964,734. Non-operating expenses of \$511,675 resulted in a net loss of \$80,769. Fiscal year 2004 operations were consistent with the prior year.

A comprehensive plan promoting development of senior housing in our community is essential. Additional units for our seniors may be pursued if demand necessitates the construction of another facility.

## **Fiduciary Funds**

### **Pension and Other Employee Benefit Trust Funds**

The City of Warren sponsors two separate defined benefit single employer pension plans; the first covering policemen and firemen under Act 345 of the State of Michigan, while the second system covers all other elected and general "full-time" employees. For the fiscal year ended June 30, 2004, the City contributed 4.00% and 28.56% respectively of earned payroll as determined by the City's actuary. Please refer to the notes to the financial statements for a detailed discussion of the plans. Related schedules of funding progress and contributions are presented as required supplementary information.

The latest collective bargaining agreement for employees who were members of the City Employees' Retirement System Defined Benefit Plan, included a provision for participation in a Defined Contribution Plan. Employees at the time of ratification were given the option of transferring to the Defined Contribution Plan or remain in the Defined Benefit Plan. For employees electing to transfer, the City will contribute fifteen percent (15%) of wages to the employees' account. The employee will be required to make a contribution of three percent (3%). Employees hired after the ratification date of their respective contract will automatically be enrolled in the Defined Contribution Plan. The City will contribute ten percent (10%) of wages on behalf of these employees and the employee will be required to make a contribution of four percent (4%).

The full economic impact to the City and the Defined Benefit Plan will be determined in subsequent actuarial reports.

These collective bargaining agreements also address the issue of retiree health insurance. Prior to these agreements, the City generally paid 100 percent of the cost of retiree health insurance when an employee was eligible to receive regular service or deferred retirement benefits. Effective with these contracts, employees hired after ratification may be responsible for payment of a share of their retiree health insurance dependant upon meeting certain age and service time requirements.

In an effort to fund the accrued liability for post-employment healthcare benefits, the City established a Voluntary Employee Benefit Association (VEBA) Trust. The trust is administered by the City Employees' Retirement System for the benefit of its members. It is the City's intention to establish a similar trust to be administered by the Police and Fire Retirement System. The trust is designed to accumulate sufficient assets to fund the payment of post retirement health benefits as they become due. Contributions to the trust are actuarially determined. For fiscal year 2003, contribution rates for the City Employees VEBA Trust and Police and Fire VEBA Trust were 18.41% and 13.44%, respectively.

### **CASH MANAGEMENT**

Idle cash in all funds, excluding the Pension and VEBA Trust funds, is invested in certificates of deposit and governmental investment pools. Interest income for the governmental funds and proprietary funds for the current fiscal year was \$1.2 million; a decrease of \$0.4 million from the prior fiscal year. This decrease is due predominately to lower cash balances available for investment and historically low interest rates.

Due to the amount of cash deposits and the limitations of FDIC insurance coverage, it is impossible to insure all deposits. In the State of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

The City instituted a cash management system with Comerica Bank. Comerica will be the primary depository for all governmental and proprietary funds. This program has enabled the City to consolidate accounts, streamline movement of funds between accounts, maximize investment income and manage the associated costs.

### **ECONOMIC OUTLOOK**

The local economy of Southeastern Michigan is directly tied to the auto industry. The City of Warren is representative of this with the presence of General Motors, Daimler-Chrysler and numerous automotive suppliers. Even though the auto industry and the economy in general have been weak, property taxes, the main source of revenue to the City, have continued to increase annually. However, the City continues to realize reductions in state shared revenues from the collection of state sales tax. To minimize the effects of these reductions, vacant positions for the most part have remained unfilled or cut from the budget.

## MAJOR INITIATIVES

During fiscal year 2004, the City put the finishing touches on the \$20+ million renovation of the old "Warren High" now commonly known as the "Warren Community Center". This new 150,000 square foot facility includes three gymnasiums, an aquatic center, indoor batting cages, senior citizen activity areas, a branch library, fitness center, performing arts center and offices to house city government.

The City continues to undertake major and local road projects to either improve pavement conditions or traffic flows in our community. Road projects can be funded solely by the City, through use of its state shared state gas and weight taxes, or jointly with participation from the Michigan Department of Transportation or Macomb County Road Commission. Major widening, resurfacing and watermain replacement projects are currently underway along Nine-Mile and Ryan Roads.

The City has aggressively continued its program for replacing broken and hazardous sidewalks and the removal of nuisance trees throughout the city. Financing for this project has come via transfers from the Tank Plant Redevelopment Fund and the issuance of Special Assessment Bonds.

Within the boundaries of the Downtown Development Authority (DDA) resides the property formerly known as the "Detroit Arsenal Tank Plant". The City purchased this 153-acre site from the United States Department of Army in 1998 at a cost of \$5.925 million with the intention of redeveloping the site. The City, in coordination with various state and federal agencies, invested in excess of \$10 million in infrastructure improvements at this site. The State of Michigan designated the former Tank Plant property as a "Renaissance Zone", effectively providing companies relocating to this site with a tax-free status for a period of twelve years. The net effect to the City has been the realization of approximately \$41 million in proceeds from the sale of the property for private development and redevelopment. Just as important, what was an abandoned and aging industrial site is now home to new and refurbished industrial, technical and education facilities within the very heart of the city. Residual proceeds from the project have assisted the City in financing the construction of the Warren Community Center, the Sidewalk Replacement and Tree Removal Program, and also provide partial advance funding of the City's compensated absences and retiree health care liabilities. Full redeployment of this site is nearing completion.

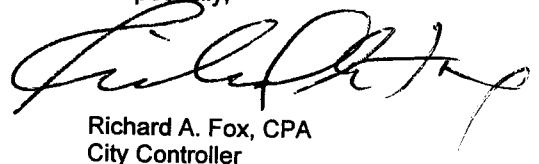
The Downtown Development Authority has undertaken a major redevelopment of the City Center area. This multi-million dollar, multi-year plan encompasses the construction of a new city hall and library, with the ultimate goal of creating a "Downtown Warren"; complete with high-density residential housing, commercial development, parking structures and community gathering places. The Downtown Development Authority has issued \$40 million of bonds to finance the initial phase of this project.

General Motors continues its \$1 Billion redevelopment of its Technical Center facility. This development should generate further investment in the area surrounding the Tech Center and provide significant tax revenues to the DDA to finance improvements within the City Center / Downtown District.

## ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Controller's Office. The implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 represents the most comprehensive series of changes experienced by current practitioners of governmental accounting. A significant investment in time and resources has been expended to submit this report in full compliance with GASB 34. I would like to express my sincere appreciation to all members of the Department who assisted and contributed so greatly to its preparation. I would also like to thank your office and members of the Warren City Council for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully,

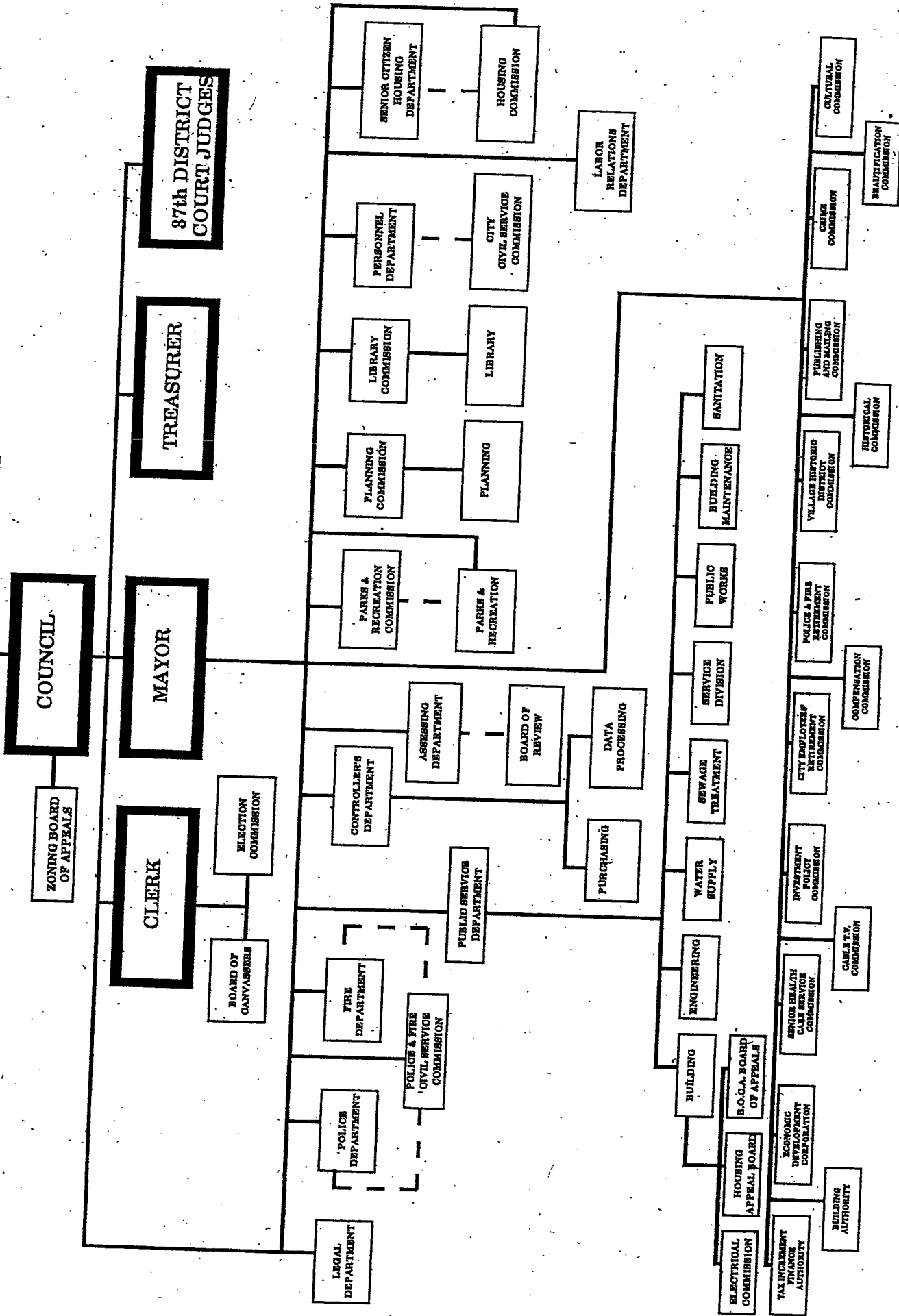


Richard A. Fox, CPA  
City Controller



CITY OF WARREN, MICHIGAN  
ORGANIZATION CHART

CITIZENS OF THE CITY OF WARREN



**REP** **RAMIE E. PHILLIPS, JR., PC, CPA**

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council of  
the City of Warren, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Warren, Michigan as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Warren's management. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of the Police and Fire Retirement System Fund, which represents 67 percent and 64 percent, respectively, of the assets and revenues of the Fiduciary Funds. Those financial statements were audited by other auditors whose report thereon has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Police and Fire Retirement System Fund, is based on the report of the other auditors.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit and the reports of other auditors provide a reasonable basis for my opinion.

In my opinion, based on my audit and the reports of other auditors, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Warren, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 5, 2005, on my consideration of the City of Warren's internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis on pages 1 through 12 and the budgetary comparison information on pages 79 through 140 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warren basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Warren. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



April 5, 2005



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Report on Compliance and Internal Control Over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards

To the Members  
of the City Council  
City of Warren, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Warren as of and for the year ended June 30, 2004, which collectively comprise the City of Warren's basic financial statements and have issued my report thereon dated April 5, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Warren's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Warren's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Warren City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

April 5, 2005



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Report on Compliance With Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Members  
of the City Council  
City of Warren, Michigan

Compliance

I have audited the compliance of the City of Warren with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City of Warren's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Warren's management. My responsibility is to express an opinion on the City of Warren's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Warren's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Warren's compliance with those requirements.

In my opinion, the City of Warren complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

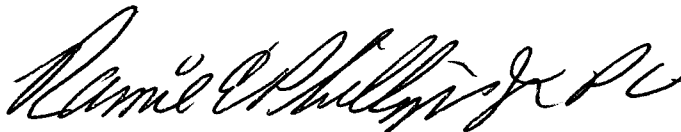
Internal Controls Over Compliance

The management of the City of Warren is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Warren's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

City of Warren, Michigan

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the management, Warren City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



April 5, 2005

CITY OF WARREN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

This section of the City of Warren's annual financial report presents financial performance for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

The discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the City's approved budget, and (e) identify individual fund issues or concerns.

**Financial Highlights**

- The taxable value of real and personal property within the City increased by \$109 million from the prior year, generating approximately \$1.04 million of additional property tax revenues.
- The City decreased its total operating and debt millage rate by 0.06 mills in fiscal year 2004.
- The City issued \$4.31 million of Michigan Transportation Fund (MTF) Refunding Bonds, Series 2003. In the process, \$1.250 million of MTF Bonds, Series 1991 and \$2.875 million of MTF Bonds, Series 1993 were defeased. The economic impact of this advance refunding resulted in a present value saving to the City of \$122,256.
- The City and the Warren Professional Fire Fighters Association, Local 1383 settled a collective bargaining agreement that had previously expired on June 30, 1999. Retroactive wage and benefit payments payable upon settlement of the contract were approximately \$6.0 million.
- State shared sales tax distributions decreased by \$1.7 million from the previous year to \$14.9 million. This represents the fourth consecutive year of decreases and a reduction of \$4.4 million from the \$19.3 million received from the State in fiscal year 2000.
- Employee and retiree self-insured medical claims increased \$2.5 million or 18.6% over the prior year.

**Overview of the Financial Statements**

The City of Warren's annual report consists of three components: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two types of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's operations in more detail than the government-wide financial statements.
  - The governmental funds statements tell how general government services such as public safety, recreation and sanitation were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the Water and Sewer System and Senior Citizen Housing.
  - Fiduciary fund statements provide information about the financial relationships – such as the retirement plans for City employees – in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

CITY OF WARREN, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2004

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the contents of each of the statements.

**Figure A-1  
Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government, except fiduciary funds	The activities of the City that are not proprietary or fiduciary, such as public safety, recreation and sanitation	Activities the City operates similar to private businesses, such as the Water and Sewer System and Senior Citizen Housing	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plans for City employees
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide financial statements.** The government-wide financial statements are designed to report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the City's overall health, additional non-financial information such as the City's property tax base, demographics, and condition of capital assets, including infrastructure also needs to be considered.

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The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and other intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities)

The government-wide financial statements can be found on pages 13 – 16 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Warren, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The focus of the new reporting model is on major funds. A major fund is defined as a fund whose revenues, expenditures / expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds for the same item. In addition, any other governmental fund or enterprise fund that management believes is particularly important to financial statement users (because of public interest or consistency) may be reported as a major fund. *The City has elected to report all governmental and proprietary funds as major funds in the fund financial statements. This election was made to provide the City's elected officials, department heads, financial administration and other users a greater degree of detailed financial information to manage and evaluate the City's operations.*

The basic governmental fund financial statements can be found on pages 17 – 38 of this report.

*Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. Enterprise funds, a type of proprietary fund, are used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more information and greater detail, such as cash flows. The City uses enterprise funds to account for its Water and Sewer System and Senior Citizen Housing operations

The basic proprietary fund financial statements can be found on pages 39 – 43 of this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. For example, the City is the trustee, or fiduciary, for its employee retirement plans. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The accounting method used for fiduciary funds is much like that used for proprietary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs.

The basic fiduciary fund financial statements can be found on pages 44 – 45 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46 – 78 of this report.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents budget-to-actual comparisons and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 79 – 146 of this report.



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**Financial Analysis of the City as a Whole**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$215.0 million at the close of the most recent fiscal year, a decrease of \$8.5 million as compared to the prior year.

A component of the City's net assets is its investment in capital assets (57.3 percent), which are reported net of accumulated depreciation and reduced by any outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens and consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another component of net assets (28.1 percent) represents resources subject to restrictions on their use as imposed by external parties or enabling legislation. The remaining balance of unrestricted net assets (14.6 percent), may be used to meet the City's ongoing obligations to its citizens and creditors.

Total net assets in the governmental activities decreased during fiscal year 2004 by \$5.1 million or 3.8 percent to \$127.4 million. Investment in capital assets net of related debt decreased by \$5.9 million from the prior year. Even though current year capital expenditures and depreciation were virtually equal, the decrease was attributable to a re-determination that \$6.0 million of Downtown Development Authority property acquisitions in fiscal year 2003 were financed through debt proceeds rather than incremental tax revenues. Restricted net assets increased \$5.3 million due to an additional reservation of funds earmarked for transfer to the Police and Fire V.E.B.A. Trust when the trust is established in fiscal year 2005. Unrestricted net assets, though favorably impacted by the adjustment to capital assets described above, decreased \$4.5 million for the year, primarily due to an increase of \$11.0 in Public Safety expenses.

Total net assets in the business-type activities decreased by 3.7 percent to \$87.6 million. The Water and Sewer System realized a \$1.6 million operating loss as compared to a \$1.0 million gain in the previous year. Contributing to this was a 9% rate increase on water purchases from the City of Detroit which was not passed on to the System's end users. In addition, the relatively cool and wet conditions of the past summer resulted in lower System water sales.

**Table A-1  
Net Assets**  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2003-2004
	2004	2003	2004	2003	2004	2003	
Current and other assets	\$ 149.8	\$ 137.8	\$ 48.0	\$ 43.0	\$ 197.8	\$ 180.8	9.4%
Capital assets	93.7	94.7	101.0	102.5	194.7	197.2	( 1.3)%
Total assets	243.5	232.5	149.0	145.5	392.5	378.0	3.8%
Long-term liabilities	100.1	77.5	46.2	47.4	146.3	124.9	17.1%
Other liabilities	16.0	22.5	15.2	7.1	31.2	29.6	5.4%
Total liabilities	116.1	100.0	61.4	54.5	177.5	154.5	14.9%
Net assets:							
Invested in capital assets, net of related debt	60.0	65.9	63.2	66.3	123.2	132.2	( 6.8)%
Restricted	45.9	40.6	14.5	11.8	60.4	52.4	15.3%
Unrestricted	21.5	26.0	9.9	12.8	31.4	38.8	(19.1)%
Total net assets	127.4	132.5	87.6	90.9	215.0	223.4	( 3.8)%

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**Table A-2**  
**Changes in Net Assets**  
*(in millions of dollars)*

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2003-2004
	2004	2003	2004	2003	2004	2003	
Revenues:							
Program revenues:							
Charges for services	\$ 11.6	\$ 10.6	\$ 29.0	\$ 30.1	\$ 40.6	\$ 40.7	( 0.3)%
Operating grants and contributions	12.1	11.2	-	-	12.1	11.2	8.0 %
Capital grants and contributions	2.8	3.7	-	-	2.8	3.7	( 24.3)%
General revenues:							
Property taxes	71.8	70.6	-	-	71.8	70.6	1.7 %
Other taxes	16.0	17.7	-	-	16.0	17.7	( 9.6)%
Other	1.3	1.2	0.3	0.3	1.6	1.5	6.7 %
Total revenues	<u>115.6</u>	<u>115.0</u>	<u>29.3</u>	<u>30.4</u>	<u>144.9</u>	<u>145.4</u>	( 0.3)%
Expenses:							
General government	16.6	19.5	-	-	16.6	19.5	( 14.9)%
Public safety	57.9	48.4	-	-	57.9	48.4	19.6 %
City development	6.0	5.8	-	-	6.0	5.8	3.5 %
Highways and streets	11.5	11.3	-	-	11.5	11.3	1.8 %
Recreation and culture	11.2	8.7	-	-	11.2	8.7	28.7 %
Sanitation	7.9	7.1	-	-	7.9	7.1	11.3 %
Economic development	1.1	0.6	-	-	1.1	0.6	83.3 %
Community development	2.4	2.9	-	-	2.4	2.9	( 17.2)%
Capital projects	2.9	2.9	-	-	2.9	2.9	0.0 %
Interest on long-term debt	3.2	2.5	-	-	3.2	2.5	28.0 %
Water and Sewer System	-	-	30.6	29.2	30.6	29.2	4.8 %
Senior Citizen Housing	-	-	2.0	2.1	2.0	2.1	( 4.8)%
Total expenses	<u>120.7</u>	<u>109.7</u>	<u>32.6</u>	<u>31.3</u>	<u>153.3</u>	<u>141.0</u>	8.7 %
Increase (decrease) in net assets before special items and transfers	( 5.1)	5.3	( 3.3)	( 0.9)	( 8.4)	4.4	(290.9)%
Special items	-	11.5	-	-	-	11.5	(100.0)%
Transfers	-	-	-	-	-	-	0.0 %
Increase (decrease) in net assets	( 5.1)	16.8	( 3.3)	( 0.9)	( 8.4)	15.9	(152.3)%
Net assets – beginning of year	<u>132.5</u>	<u>115.7</u>	<u>90.9</u>	<u>91.8</u>	<u>223.4</u>	<u>207.5</u>	7.7 %
Net assets – end of year	<u>\$ 127.4</u>	<u>\$ 132.5</u>	<u>\$ 87.6</u>	<u>\$ 91.8</u>	<u>\$ 215.0</u>	<u>\$ 223.4</u>	( 3.8)%

CITY OF WARREN, MICHIGAN  
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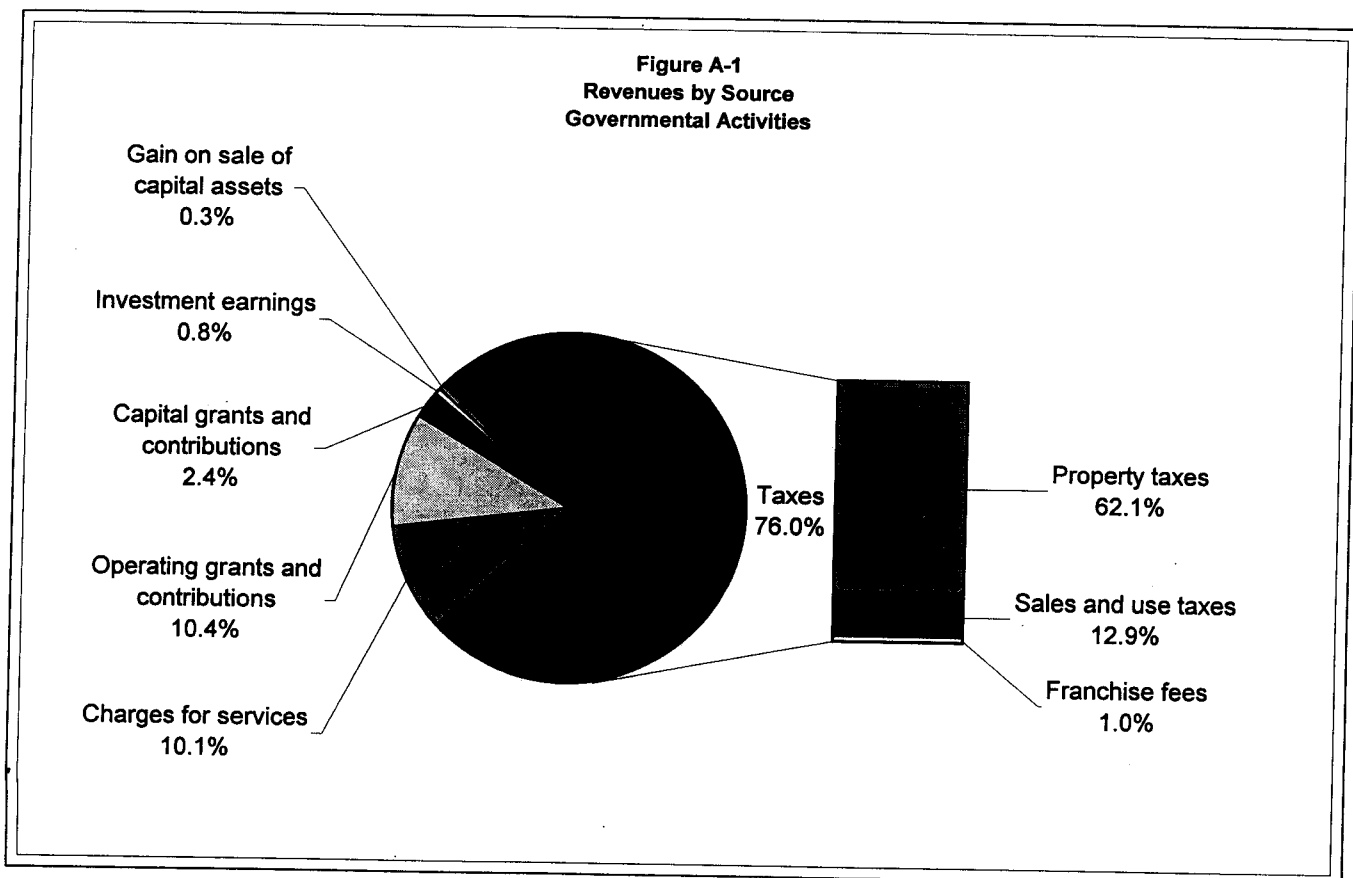
JUNE 30, 2004

**Governmental activities.** Unlike fiscal year 2003 where special items added \$11.0 to net assets, changes in fiscal year 2004 net assets more closely represented results of normal operations.

While revenues were consistent with the prior year, expenses increased by \$11.0 million, almost exclusively in the area of Public Safety. The City and the Warren Professional Firefighters Association, Local 1383 settled a collective bargaining unit agreement that had previously expired on June 30, 1999. Retroactive wage and benefits payable upon settlement of the contract were approximately \$6.0 million. The accrued liability for compensated absences increased \$1.4 million during the year primarily due to adjusting firefighter wages to 2004 levels from the 1999 levels previously accrued. Self-insured medical claims increased \$2.5 million or 18.6% in 2004, while premium-based health insurance costs increased \$180,000 or 8.4%. Even though these figures include the cost of retiree medical insurance, it is appropriate that it be noted here as ultimately this cost will be reflected in the City's V.E.B.A. contribution rates to fund retiree health insurance. In the past five years, self-insured medical claims have risen from \$8.5 million in 1999 to \$15.8 million in 2004, representing an annual increase of approximately 13.1%. General government expenditures decreased \$2.8 million in 2004 due in part to a reduction of \$1.6 million in accrued insurance claims. Recreation and culture expenses increased \$2.5 million from the previous year with \$1.5 million attributable to an increase in depreciation expense due to capitalizing the Warren Community Center in 2003.

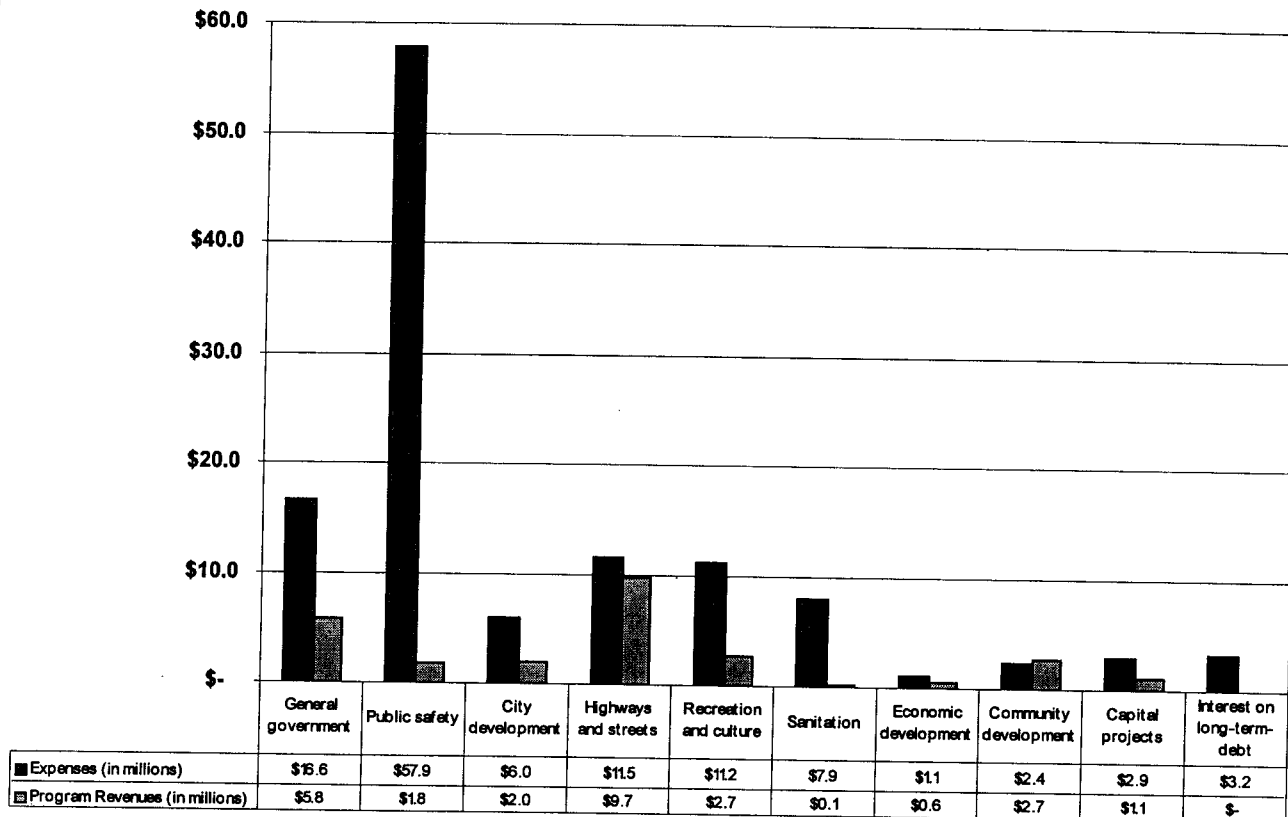
The taxable value of real and personal property within the City increased \$109 million in 2004. This increase combined with a property tax rate decrease of 0.06 mills generated an additional \$1.04 million in revenues. As represented in Figure A-1 and Figure A-2, property taxes continue to be the major source of governmental revenues. Program revenues, that being charges for services as well as operating and capital grants, generated only 22.9 percent of the resources necessary to operate the governmental functions of the City.

State shared revenues decreased for the fourth consecutive year. Revenues for 2004 were \$14.9 million as compared to \$16.5 million in 2003, \$17.6 million in 2002, \$18.8 million in 2001 and \$19.3 million in 2000. Further reductions are anticipated in the coming year.



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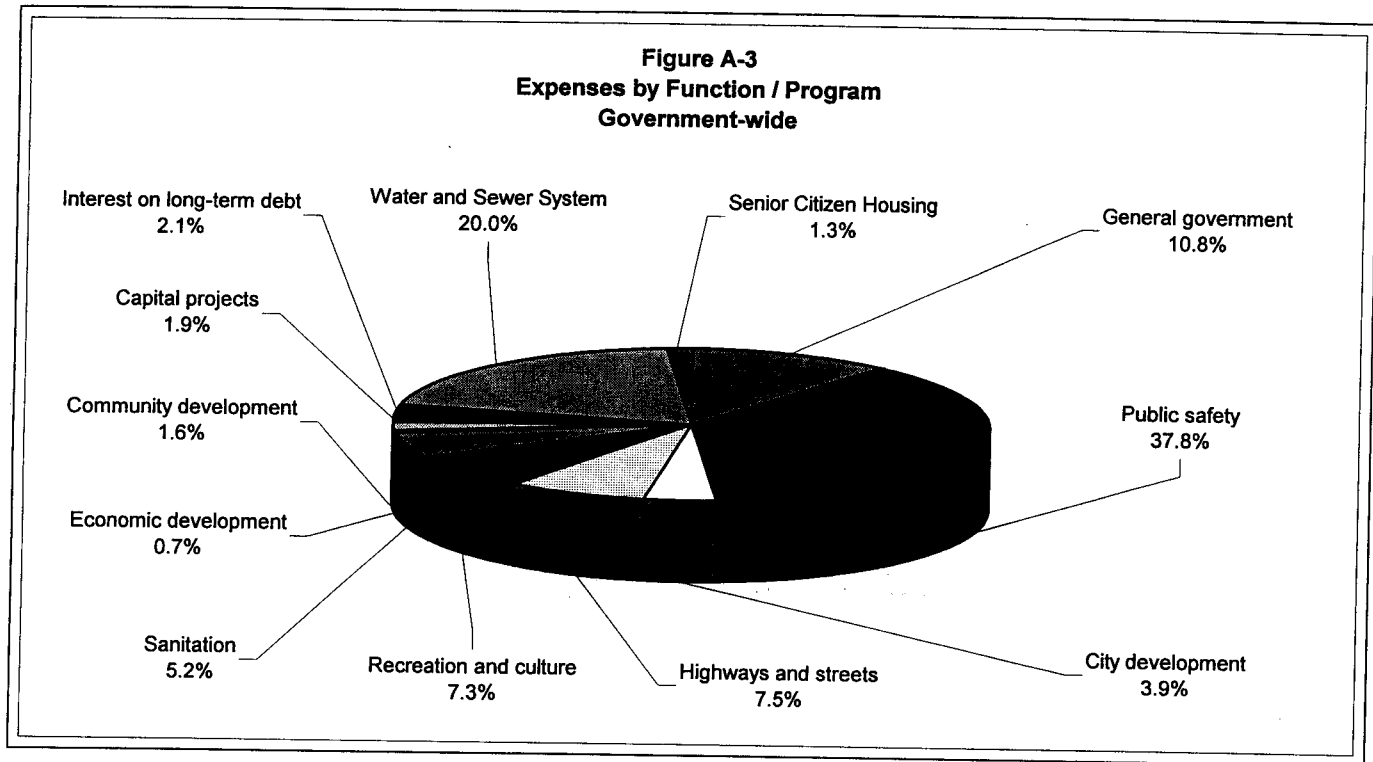
**Figure A-2  
Expenses and Program Revenues  
Governmental Activities**



**Business-type activities.** The Senior Citizen Housing facilities generated operating income of \$431,000 during 2004, representing an increase of \$57,000 from 2003. Rental revenues and occupancy levels were consistent with the prior year.

Water and Sewer operating revenues decreased \$1.2 million or 4.1 percent during the current fiscal year on a sales volume of 950,539 MCF {thousand cubic feet}, a decrease of 7.3 percent from the prior year. An operating loss of \$1.6 million was realized as compared to \$1.0 million operating gain in the prior fiscal year. This operating loss was attributable to a 9% rate increase on water purchases from the City of Detroit while maintaining end users rates at the previous year's level.

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**Financial Analysis of the City's Funds**

As of June 30, 2004, the governmental funds reported a combined fund balance of \$130.4 million, an increase of \$19.3 million from the prior fiscal year. No deficit fund balances were reported in any of the governmental funds. Significant changes in individual fund balances during the current fiscal year are as follows:

- The general fund, whose resources are the City's main source of providing services to its citizenry, reported an increase in fund balance of \$0.2 million from the prior year. While reserved, unreserved-designated and unreserved-undesignated fund balance did not vary much from the prior year, certain components of unreserved-designated fund balance need to be mentioned. The Police and Fire Pension Reserve increased \$5.8 million to \$17.1 million as receipts of dedicated police and fire pension millage continue to exceed the City's contribution to the retirement system. Due to the favorable funding status of the system, the City has been able to decrease its pension contribution in recent years. These funds will be transferred to the Police and Fire V.E.B.A. Trust in 2005 to partially fund the cost of police and fire retiree health insurance. The amount designated for payment of accrued insurance claims decreased \$1.6 million as the result of continued negotiations to settle claims with the City's prior insurance carrier. Another component of unreserved-designated fund balance, the amount required to balance the subsequent year's budget, decreased \$2.6 million as compared to the prior year.
- Fund balance in the Tank Plant Redevelopment Fund decreased \$2.8 million due primarily to a transfer to the Sidewalk and Tree Revolving Fund to finance the citywide sidewalk improvement program.
- Fund balance in the Budget Stabilization Fund decreased \$3.4 million as a result of a transfer to the General Fund in order to balance the fiscal year 2004 budget.
- Fund balance in the Special Assessment Bond, Series 2003 debt service fund increased \$1.7 million. The City continues to receive full payments as compared to installment payments on sidewalk replacement special assessments. Accordingly these funds must be reserved for future principal and interest payments on the debt.
- Fund balance in the Michigan Transportation Fund, Series 2003 capital projects fund increased \$4.6 million which is representative of the issuance of \$5.4 million of MTF Bonds less \$0.8 million expended on road construction projects.
- Fund balance in the Downtown Development Authority Construction Fund increased \$20.1 million as the result of issuing an additional \$20 million of bonds for the City Center development project.

CITY OF WARREN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**General Fund Budgetary Highlights**

The City Council adopts an annual operating budget on a line item basis. During the course of the year, Council revises the budget several times. Budget amendments may represent additional appropriations of funds or inter-departmental transfers between line items with no additional appropriation. Budget amendments are normally approved for the following reasons:

- Re-appropriations for material expenditures, primarily for capital acquisitions, approved in the prior fiscal year but not consummated by year-end.
- Award of grants and recognition of related expenditures.
- Emergencies.
- To prevent budget overruns.

Significant budget amendments approved during the current fiscal year included:

- Re-appropriations of \$1.0 million from the prior fiscal year, primarily for capital equipment expenditures.
- Increase in budgeted revenues and expenditures of \$495,000 related to various public safety grants.
- Increase in budgeted revenues and expenditures of \$300,000 related to drug court grants.
- The settlement of the firefighter contract required a \$3.7 million appropriation over-and-above the \$2.7 million available in the original 2004 adopted budget.
- Inter-departmental transfer of \$100,000 to fund police overtime.
- Inter-departmental transfer of \$70,000 to fund engineering & inspector overtime.

The annual budget is developed from analysis of historical and anticipated trend information and facts known at the time of preparation. Accordingly, actual revenues received and expenditures incurred during the year may vary, sometimes significantly, from earlier estimates. Significant general fund budget-to-actual variances that negatively impacted fund balance were: 1.) a shortfall in projected state shared revenues of \$632,000, and 2.) excess employee self-insured medical claims of approximately \$1.5 million.

**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2004, the City's capital assets, net of accumulated depreciation, represents an investment of \$194.7 million, a decrease of \$2.5 million, or 1.3 percent from the prior year. More detailed information about the City's capital assets is presented in Note 3 to the financial statements.

**Table A-3**  
**Capital Assets**  
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2003-2004
	2004	2003	2004	2003	2004	2003	
Land	\$ 20.6	\$ 20.3	\$ 0.8	\$ 0.8	\$ 21.4	\$ 21.1	1.4 %
Land improvements	2.6	2.7	-	-	2.6	2.7	( 3.7)%
Buildings	30.8	31.4	33.5	32.3	64.3	63.7	0.9 %
Utility system	-	-	64.6	65.9	64.6	65.9	( 2.0)%
Machinery and equipment	11.7	12.0	2.1	2.6	13.8	14.6	( 5.5)%
Infrastructure	23.9	25.9	-	-	23.9	25.9	( 7.7)%
Construction in progress	4.1	2.4	-	0.9	4.1	3.3	( 24.2)%
Total	\$ 93.7	\$ 94.7	\$ 101.0	\$ 102.5	\$ 194.7	\$ 197.2	( 1.3)%

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Major capital acquisitions during the year included:

- Warren Community Center renovations - \$1.1 million.
- Upgrade emergency warning sirens - \$223,000.
- Purchased of an emergency medical vehicle - \$133,000
- Construction of a compost dumping station - \$197,000.
- Purchase of 20 police vehicles - \$382,000.
- D.D.A. City Center development costs - \$1.0 million.
- Capitalized road construction projects - \$712,000.
- Water main replacements - \$700,000
- Waste Water Treatment Plant improvements - \$2.4 million

The City and the Downtown Development Authority have a number of outstanding contracts for various road construction projects and for the development of the City Center, respectively. The balances of these contracts are reported in the governmental funds balance sheet and captioned under "fund balance – reserved for capital projects". The Water and Sewer System likewise has a number of outstanding contracts for system improvement projects. The balances of these contracts are reported in the business-type activities Statement of Net Assets and captioned under "net assets – restricted for construction". Sufficient funds are currently available to complete these projects.

#### Long-term Debt

As of June 30, 2004, the City had long-term debt outstanding of \$126.3 million, an increase of \$23.6 million, or 23.0 percent from the prior year. More detailed information about the City's long-term debt is presented in Note 5 and Note 7 to the financial statements. Complete debt service schedules for each issue are also presented in the Statistical Section of this report.

**Table A-4**  
**Outstanding Debt**  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2003-2004
	2004	2003	2004	2003	2004	2003	
Installment purchase agreement	\$ 0.5	\$ 0.8	\$ -	\$ -	\$ 0.5	\$ 0.8	( 37.5)%
Land contract	0.7	0.8	-	-	0.7	0.8	( 12.5)%
Michigan Transportation Bonds	16.3	12.2	-	-	16.3	12.2	33.6 %
Water & Sewer Revenue Bonds	-	-	37.8	36.6	37.8	36.6	3.3 %
County Drain Bonds	1.4	2.0	-	-	1.4	2.0	( 30.0)%
Tax Increment Finance Authority Bonds	1.3	1.5	-	-	1.3	1.5	( 13.3)%
Special Assessment Bonds	2.8	1.1	-	-	2.8	1.1	154.6 %
Downtown Development Authority Bonds	40.0	20.0	-	-	40.0	20.0	100.0 %
Building Authority Bonds	15.5	16.7	10.0	11.0	25.5	27.7	( 7.9)%
<b>Total</b>	<b>\$ 78.5</b>	<b>\$ 55.1</b>	<b>\$ 47.8</b>	<b>\$ 47.6</b>	<b>\$ 126.3</b>	<b>\$ 102.7</b>	<b>23.0%</b>

The City issued \$2.3 million of Special Assessment Bonds in 2004 to finance the citywide sidewalk and tree replacement program. \$5.5 million of Michigan Transportation bonds were sold to finance various road construction projects. The Downtown Development Authority issued an additional \$20 million of bonds towards development of the City Center. The Water and Sewer System sold \$1.8 million of capital improvement bonds to finance system improvements at the Waste Water Treatment Plant.

CITY OF WARREN, MICHIGAN

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**Economic Factors and Next Year's Budget**

Property taxes on residential, commercial and industrial properties in Warren, with a cumulative taxable value of approximately \$4.484 billion, account for 64.2% of the City's General Fund operating revenue. For nearly 10 years, the City has kept its property tax millage below the rate permitted by law through a combination of strong expenditure controls and modest growth in the tax base.

The City of Warren maintains a solid financial foundation through sound management practices. The continuance of these practices will be critical in future fiscal periods as numerous economic factors place increasing strain on our resources. Proposal A, which limits the growth of the valuations of existing properties to the rate of inflation, and a slowing of new growth in the City will make future tax reductions much more difficult.

State shared revenues, returning state collected sales and income taxes from our citizens and business to the City for local use, have been reduced by 23% since fiscal year 2001. By the end of the 2005 fiscal year we expect that reduction to reach nearly 24%. An uncertain economy means less spending, and as a result, less sales tax is collected. As the State grapples with its own financial hardships it has lowered the distribution formula for shared revenues compounding the impact of economic decline for local units of government. State shared revenues account for almost 19% of our total operating revenue.

Locally raised revenues are on a decline as well. Less development means less license and permit fees. Lower rates of return on invested funds means less interest income. Property tax limitations, less State shared revenues and declining local revenues all mean fewer resources with which to meet the financial obligations of the City.

The City must continue to trim expenditures to stay within revenue resources. Our most significant expenses incurred are for personnel with wages and fringe benefits accounting for nearly 82% of all expenditures. Contract wage increases are anticipated to continue at a rate of 2% to 3% a year. Contributions to the Defined Benefit (DB) pension systems are expected to rise due to lower earning power of the stock and bond markets. The City has taken steps to curb at least a portion of this rising cost now and for future periods. The initiation of a 401(a) Defined Contribution (DC) plan has effectively set a cap on the liability of the City defined benefit plan. Approximately 41% of all non-police and fire personnel now belong to the DC plan, either through voluntary transfer from the DB plan at startup of the DC plan or mandatory placement in the DC plan for new hires. The City contributes 15% of payroll costs to each employee's DC account for those who transferred from the DB plan and 10% for new hires. Both of these rates compare very favorably to that offered by other communities and the private sector and also represent a substantial saving compared to the current 34.31% liability for members of the DB plan.

Health insurance costs are also on the rise. The current trend of close to 15% a year in cost increases is expected to continue. The City, in part through the pension plan savings, has attempted to offset these increases by pre-funding insurance costs using an actuarially determined percentage of payroll.

The lessons being learned in the City's Water and Sewer System will play an important role in continuing to maintain a solid financial footing citywide. A few years ago we were faced with the reality that the need for wholesale capital improvements at the Waste Water Treatment Plant was imminent. Options to address this issue included proposing significant rate increases to cover capital costs, outsourcing operations altogether or finding ways to operate more efficiently, both to mitigate the overall impact of the increases capital costs and to assure cost effective operations for the future.

Neither of the first two options was particularly desirable. We have long prided ourselves on maintaining one of the lowest municipal utility rates in the State of Michigan and relinquishing day-to-day control over treatment plant operations is something that we would approach only with the utmost caution. Our choice was, and is, to develop a more efficient operation and give employees the tools and training necessary for the opportunity to succeed.

We are not there yet, but we believe we are on the right path. Change has been slow and it has not always been painless. There has been resistance at times but it appears that it is beginning to sink in to those involved that our options could be much more dramatic and painful – and not necessarily in the best long-term interest of employees or system users.

Gone are the days of narrowly defined job descriptions. Cooperation, flexibility and a willingness to learn new ways of dealing with problems are necessary for the Waste Water Treatment Plant to survive as an independent entity. Budgeted positions at the Treatment Plant have been reduced by nearly 27% over the past 7 years – all through attrition and elimination of vacant positions - no layoffs. Employees have been asked to do more than had been expected in the past and the opportunities for them to acquire the necessary skills continue to be made available. We are committed to become a more efficient and effective organization. Failure is not an option.



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**Economic Factors and Next Year's Budget (continued)**

The Water Division faces many of the same type of issues as the Waste Water Treatment Plant; an aging infrastructure requiring more and more maintenance activity and escalating operating costs that are outside our direct control. As of July 2004, water rates from the City of Detroit had risen over 85% in the previous decade. We have to pass those costs on to consumers but we also have an obligation to assure that we are doing everything we can internally to contain those costs we can control.

The frequency and severity of water and sewer line breaks continue to escalate. In part this is the result of water pressure variations from the City of Detroit as it attempts to meet the increasing demand of growth communities to our north and in part because much of our underground infrastructure is nearing the end of its useful life.

In the 2005 calendar year we plan to begin implementing changes in Water Division operations very similar to those in progress at the Waste Water Treatment Plant. Though Water Division activities are far less technical we believe that there efficiencies to be gained. We must adopt a comprehensive long-term plan to reduce our repair costs and return to a focus on preventative maintenance. This will involve capital investment to permit us to regulate and control water pressure within our system, replacement of aging infrastructure coordinated with other activities such as road repairs, and adopting policies and work procedures that optimize our use of manpower and resources. We have an obligation to the residents and businesses that are our system users to make every effort to contain costs and assure that their contributions to the Water and Sewer System in the form of user fees are utilized to their maximum potential.

Within the next few years the City plans to complete a new City Hall / Library complex. Construction commenced in the fall of 2004. It will be outfitted with cost-effective technologies that are not possible to implement in the existing facility. Part and parcel of this development will be the involvement of every department in reviewing intradepartmental workflow and coordination of interdepartmental activities to eliminate redundancies and improve services to the citizens and business community. Once again we will engage the services of outside professionals – individuals with broad range experience in achieving efficiencies in both public and private sector operations. Efficiency is not just something we find desirable. It is something we are obligated to provide. It is the only way to assure that City operations continue to be viable now and for generations to come.

**Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Warren Controller's Office, 29500 Van Dyke, Warren, Michigan 48093.

**CITY OF WARREN, MICHIGAN**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Exhibit A-1

CITY OF WARREN, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets - unrestricted:			
Cash and cash equivalents	\$ 107,490,010	\$ 15,385,183	\$ 122,875,193
Investments	10,500,000	-	10,500,000
Deposits	1,060,500	-	1,060,500
Receivables (net of allowances where applicable)			
Accrued interest	72,703	10,641	83,344
Accounts	4,778,840	8,227,461	13,006,301
Land contract	-	22,800	22,800
Due from other funds	111,022	-	111,022
Internal balances	3,553,806	-	3,553,806
Due from other governments	8,175,803	35,000	8,210,803
Inventory at cost	278,975	289,210	568,185
Prepaid expenditures	254,145	3,299	257,444
Total current assets - unrestricted	<u>136,275,804</u>	<u>23,973,594</u>	<u>160,249,398</u>
Current assets - restricted:			
Cash and cash equivalents	-	14,363,127	14,363,127
Due from other governments	-	537,473	537,473
Internal balances	-	877	877
Designated for future projects	-	8,236,199	8,236,199
Total current assets - restricted	<u>-</u>	<u>23,137,676</u>	<u>23,137,676</u>
Total current assets	<u>136,275,804</u>	<u>47,111,270</u>	<u>183,387,074</u>
Noncurrent assets:			
Receivables (net of allowances where applicable)			
Notes	5,256,322	-	5,256,322
Due from other governments	2,873,222	-	2,873,222
Delinquent taxes	2,117,569	-	2,117,569
Special assessments	1,852,492	-	1,852,492
Land contract	-	759,997	759,997
Total noncurrent receivables	<u>12,099,605</u>	<u>759,997</u>	<u>12,859,602</u>
Deferred charges:			
Bond issuance costs	708,752	71,156	779,908
Total deferred charges	<u>708,752</u>	<u>71,156</u>	<u>779,908</u>
Capital assets (net of accumulated depreciation)			
Land	20,587,682	826,863	21,414,545
Land improvements	2,659,448	-	2,659,448
Buildings	30,780,393	33,540,045	64,320,438
Utility system	-	64,570,938	64,570,938
Machinery and equipment	11,697,522	2,072,708	13,770,230
Infrastructure	23,874,064	-	23,874,064
Construction in progress	4,126,541	-	4,126,541
Total capital assets	<u>93,725,650</u>	<u>101,010,554</u>	<u>194,736,204</u>
Total noncurrent assets	<u>106,534,007</u>	<u>101,841,707</u>	<u>208,375,714</u>
Total assets	<u>\$ 242,809,811</u>	<u>\$ 148,952,977</u>	<u>\$ 391,762,788</u>

See accompanying notes to financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current liabilities - unrestricted:			
Accounts payable	\$ 5,350,702	\$ 2,091,121	\$ 7,441,823
Retainages payable	308,544	-	308,544
Accrued salaries and wages	1,988,393	139,012	2,127,405
Payroll taxes and deductions	19,044	79,392	98,436
Due to other funds	-	-	-
Internal balances	-	1,619,584	1,619,584
Deposits	258,447	74,738	333,185
Accrued interest payable	543,824	79,721	623,545
Deferred revenue	2,978,146	26,880	3,005,026
Current portion of long-term liabilities:			
Installment purchase agreements	245,802	-	245,802
Land contract	67,867	-	67,867
Bonds payable	4,221,680	1,629,512	5,851,192
Total current liabilities - unrestricted	15,982,449	5,739,960	21,722,409
Current liabilities - restricted assets:			
Accounts payable	-	607,754	607,754
Accrued interest payable	-	318,077	318,077
Deposits	-	179,725	179,725
Construction contracts to be performed in future periods	-	8,236,199	8,236,199
Current portion of long-term liabilities:			
Bonds payable	-	152,881	152,881
Total current liabilities - restricted	-	9,494,636	9,494,636
Total current liabilities	15,982,449	15,234,596	31,217,045
Noncurrent liabilities - unrestricted:			
Accumulated compensatory time	2,366,812	1,332,670	3,699,482
Compensated absences payable	15,598,651	121,008	15,719,659
Accrued insurance claims	8,158,659	-	8,158,659
Noncurrent portion of long-term liabilities:			
Installment purchase agreements	227,834	-	227,834
Land contract	659,671	-	659,671
Bonds payable	73,083,426	45,823,504	118,906,930
Unamortized bond discount	(542,071)	(296,173)	(838,244)
Deferred refunding charge	(134,033)	(1,024,129)	(1,158,162)
Total noncurrent liabilities - unrestricted	99,418,949	45,956,880	145,375,829
Noncurrent liabilities - restricted:			
Noncurrent portion of long-term liabilities:			
Bonds payable	-	195,981	195,981
Unamortized bond discount	-	(1,978)	(1,978)
Total noncurrent liabilities - restricted	-	194,003	194,003
Total noncurrent liabilities	99,418,949	46,150,883	145,569,832
Total liabilities	115,401,398	61,385,479	176,786,877
<b>Net Assets</b>			
Invested in capital assets, net of related debt	59,951,114	63,155,395	123,106,509
Restricted for:			
Public safety	17,545,016	-	17,545,016
Sanitation	3,732,641	-	3,732,641
Recreation	3,368,954	-	3,368,954
Library	455,310	-	455,310
Community development	6,349,752	-	6,349,752
Economic development	-	-	-
Highways and streets	11,002,119	-	11,002,119
Capital projects	3,346,509	10,177,551	13,524,060
Debt service	164,898	3,847,809	4,012,707
Insurance claims	-	500,000	500,000
Unrestricted	21,492,100	9,886,743	31,378,843
Total net assets	127,408,413	87,567,498	214,975,911
Total liabilities and net assets	\$ 242,809,811	\$ 148,952,977	\$ 391,762,788

## EXHIBIT A-2

CITY OF WARREN, MICHIGAN  
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/ Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 16,615,611	\$ 5,327,716	\$ 432,387	\$ 2,375
Public safety	57,884,081	614,872	466,992	759,017
City development	6,005,387	1,980,834	14,683	-
Highways and streets	11,502,440	393,371	8,995,390	288,408
Recreation and culture	11,220,933	1,937,343	584,115	187,280
Sanitation	7,879,934	116,769	-	-
Economic development	1,113,253	86,002	-	540,652
Community development	2,395,311	1,134,479	1,552,177	-
Capital projects	2,912,390	28,914	-	1,051,966
Interest on long-term debt	3,165,735	-	13,204	-
Total governmental activities	<u>120,695,075</u>	<u>11,620,300</u>	<u>12,058,948</u>	<u>2,829,698</u>
Business-type activities:				
Water and Sewer System	30,575,456	26,992,448	-	-
Senior Citizen Housing	<u>2,075,410</u>	<u>1,964,734</u>	-	-
Total business-type activities	<u>32,650,866</u>	<u>28,957,182</u>	-	-
Total primary government	<u>\$ 153,345,941</u>	<u>\$ 40,577,482</u>	<u>\$ 12,058,948</u>	<u>\$ 2,829,698</u>

## General revenues:

## Taxes:

Property taxes

Sales and use taxes

Franchise fees

Investment earnings

Gain (loss) on sale of capital assets

Total general revenues, investment earnings  
and gain or loss on sale of capital assets

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (10,853,133)	\$ -	\$ (10,853,133)
(56,043,200)	-	(56,043,200)
(4,009,870)	-	(4,009,870)
(1,825,271)	-	(1,825,271)
(8,512,195)	-	(8,512,195)
(7,763,165)	-	(7,763,165)
(486,599)	-	(486,599)
291,345	-	291,345
(1,831,510)	-	(1,831,510)
(3,152,531)	-	(3,152,531)
<u>(94,186,129)</u>	<u>-</u>	<u>(94,186,129)</u>
-	(3,583,008)	(3,583,008)
-	(110,676)	(110,676)
-	(3,693,684)	(3,693,684)
<u>(94,186,129)</u>	<u>(3,693,684)</u>	<u>(97,879,813)</u>
71,837,273	-	71,837,273
14,867,961	-	14,867,961
1,129,307	-	1,129,307
890,520	317,790	1,208,310
<u>380,049</u>	<u>-</u>	<u>380,049</u>
<u>89,105,110</u>	<u>317,790</u>	<u>89,422,900</u>
(5,081,019)	(3,375,894)	(8,456,913)
<u>132,489,432</u>	<u>90,943,392</u>	<u>223,432,824</u>
<u>\$ 127,408,413</u>	<u>\$ 87,567,498</u>	<u>\$ 214,975,911</u>

**CITY OF WARREN, MICHIGAN**

**FUND FINANCIAL STATEMENTS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

## EXHIBIT B-1

CITY OF WARREN, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue Funds		
	Michigan Transportation Operating		
	General Fund	Major Streets	Local Streets
<b>Assets</b>			
Cash and cash equivalents	\$ 44,668,760	\$ 172,466	\$ 395,372
Investments	500,000	7,000,000	3,000,000
Deposits	231,100	-	-
Receivables (net of allowances where applicable)			
Accrued interest	56,178	6,734	4,489
Accounts	911,287	-	-
Due from other funds	9,064,802	-	-
Due from other governments	6,059,368	1,329,856	377,652
Inventory at cost	271,419	-	-
Prepaid expenditures	204,021	-	-
Receivables, non-current:			
Notes	-	-	-
Due from other governments	-	-	-
Delinquent taxes	1,644,673	-	-
Special assessments	-	-	-
Total assets	<u>\$ 63,611,608</u>	<u>\$ 8,509,056</u>	<u>\$ 3,777,513</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	3,978,371	87,371	55,579
Retainages payable	-	28,634	15,521
Accrued salaries and wages	1,565,727	34,098	61,823
Payroll taxes and deductions	19,044	-	-
Deposits	186,209	5,500	-
Due to other funds	239,293	645,033	891,147
Deferred revenue	<u>122,787</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,111,431</u>	<u>800,636</u>	<u>1,024,070</u>
<b>Fund balances:</b>			
<b>Reserved:</b>			
Inventories	271,419	-	-
Prepaid expenditures	204,021	-	-
Accounts receivable	1,644,673	-	-
Capital projects	206,590	276,634	49,507
<b>Unreserved:</b>			
<b>Designated:</b>			
Subsequent years' expenditures	20,634,408	1,412,344	1,302,386
Compensated absences	9,170,327	137,203	57,670
Compensatory time	1,034,175	-	-
Insurance claims	8,158,659	-	-
Undesignated	<u>16,175,905</u>	<u>5,882,239</u>	<u>1,343,880</u>
Total fund balances	<u>57,500,177</u>	<u>7,708,420</u>	<u>2,753,443</u>
<b>Total liabilities and fund balances</b>	<u>\$ 63,611,608</u>	<u>\$ 8,509,056</u>	<u>\$ 3,777,513</u>

See accompanying notes to financial statements.



## Special Revenue Funds

Sanitation	Recreation	Library	Community Development Block Grant	HOME Investment Partnership	Tank Plant Redevelopment
\$ 4,199,574	\$ 2,638,187	\$ 612,382	\$ 56,170	\$ 1,059,382	\$ 2,181,326
-	-	-	-	-	-
-	-	-	-	-	-
13,186	-	-	-	-	-
-	81,000	-	4,958	-	-
-	166,559	167,488	-	-	-
5,827	1,729	-	-	-	-
8,299	8,414	1,196	-	-	-
-	-	-	5,256,322	-	-
-	-	-	1,549,707	1,323,515	-
232,981	134,336	67,169	-	-	-
-	-	-	-	-	-
\$ 4,459,867	\$ 3,030,225	\$ 848,235	\$ 6,867,157	\$ 2,382,897	\$ 2,181,326
360,003	257,166	68,452	61	12	-
-	7,692	-	-	-	-
125,277	147,668	41,026	-	-	-
-	-	-	-	-	-
50,000	16,738	-	-	-	-
-	-	-	17,790	4,958	-
-	-	-	6,793,136	1,318,545	-
535,280	429,264	109,478	6,810,987	1,323,515	-
5,827	1,729	-	-	-	-
8,299	8,414	1,196	-	-	-
232,981	134,336	67,169	-	-	-
-	15,435	-	-	-	-
833,592	1,311,350	213,387	-	-	177,059
133,484	9,428	99,036	-	-	-
41,360	30,077	14,915	-	-	-
-	-	-	-	-	-
2,669,044	1,090,192	343,054	56,170	1,059,382	2,004,267
3,924,587	2,600,961	738,757	56,170	1,059,382	2,181,326
\$ 4,459,867	\$ 3,030,225	\$ 848,235	\$ 6,867,157	\$ 2,382,897	\$ 2,181,326

## EXHIBIT B-1 (continued)

CITY OF WARREN, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2004

	Special Revenue Funds		
	Communications	Rental Ordinance	Budget Stabilization
<b>Assets</b>			
Cash and cash equivalents	\$ 2,199,637	\$ 81,700	\$ 750,000
Investments	-	-	-
Deposits	-	-	-
Receivables (net of allowances where applicable)			
Accrued interest	-	-	-
Accounts	279,629	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventory at cost	-	-	-
Prepaid expenditures	-	-	-
Receivables, non-current:			
Notes	-	-	-
Due from other governments	-	-	-
Delinquent taxes	-	-	-
Special assessments	-	-	-
Total assets	<u>\$ 2,479,266</u>	<u>\$ 81,700</u>	<u>\$ 750,000</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	78,715	281	-
Retainages payable	-	-	-
Accrued salaries and wages	10,235	2,539	-
Payroll taxes and deductions	-	-	-
Deposits	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>88,950</u>	<u>2,820</u>	<u>-</u>
<b>Fund balances:</b>			
<b>Reserved:</b>			
Inventories	-	-	-
Prepaid expenditures	-	-	-
Accounts receivable	-	-	-
Capital projects	-	-	-
<b>Unreserved:</b>			
Designated:			
Subsequent years' expenditures	439,106	24,173	750,000
Compensated absences	10,000	2,000	-
Compensatory time	-	-	-
Insurance claims	-	-	-
Undesignated	<u>1,941,210</u>	<u>52,707</u>	<u>-</u>
Total fund balances	<u>2,390,316</u>	<u>78,880</u>	<u>750,000</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,479,266</u>	<u>\$ 81,700</u>	<u>\$ 750,000</u>

See accompanying notes to financial statements.

Special Revenue Funds			Debt Service Funds		
Vice Crime Confiscations	Drug Forfeiture	Police Training	Chapter 20 and 21 Drain Bonds	Special Assessment Bonds	
				Series 2002 S/A Bonds	Series 2003 S/A Bonds
\$ 81,886	\$ 314,671	\$ 85,264	\$ 1,534,512	\$ 769,422	\$ 1,667,785
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	32,215	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	38,410	-	-
-	-	-	-	-	-
<u>\$ 81,886</u>	<u>\$ 314,671</u>	<u>\$ 85,264</u>	<u>\$ 1,605,137</u>	<u>\$ 769,422</u>	<u>\$ 1,667,785</u>
-	1,848	3,500	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,848	3,500	-	-	-
-	-	-	-	-	-
-	-	-	32,215	-	-
-	-	-	38,410	-	-
-	-	-	-	-	-
28,200	66,500	2,300	631,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>53,686</u>	<u>246,323</u>	<u>79,464</u>	<u>903,512</u>	<u>769,422</u>	<u>1,667,785</u>
<u>81,886</u>	<u>312,823</u>	<u>81,764</u>	<u>1,605,137</u>	<u>769,422</u>	<u>1,667,785</u>
<u>\$ 81,886</u>	<u>\$ 314,671</u>	<u>\$ 85,264</u>	<u>\$ 1,605,137</u>	<u>\$ 769,422</u>	<u>\$ 1,667,785</u>

## EXHIBIT B-1 (continued)

CITY OF WARREN, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	Debt Service Funds			
	Tax Increment Finance Authority		Downtown Development Authority	
	Series 1991 TIFA Bonds	Series 1999 Refunding TIFA Bonds	Series 2002 DDA Bonds (1)	Series 2003 DDA Bonds (1)
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Deposits	-	-	-	-
Receivables (net of allowances where applicable)				
Accrued interest	-	-	-	-
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Inventory at cost	-	-	-	-
Prepaid expenditures	-	-	-	-
Receivables, non-current:				
Notes	-	-	-	-
Due from other governments	-	-	-	-
Delinquent taxes	-	-	-	-
Special assessments	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ -
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	-	-	-	-
Retainages payable	-	-	-	-
Accrued salaries and wages	-	-	-	-
Payroll taxes and deductions	-	-	-	-
Deposits	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
<b>Fund balances:</b>				
<b>Reserved:</b>				
Inventories	-	-	-	-
Prepaid expenditures	-	-	-	-
Accounts receivable	-	-	-	-
Capital projects	-	-	-	-
<b>Unreserved:</b>				
<b>Designated:</b>				
Subsequent years' expenditures	-	-	-	-
Compensated absences	-	-	-	-
Compensatory time	-	-	-	-
Insurance claims	-	-	-	-
Undesignated	-	-	-	-
Total fund balances	-	-	-	-
<b>Total liabilities and fund balances</b>	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

(1) For the fiscal year ended November 30, 2003

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## Michigan Transportation Bonds

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## EXHIBIT B-1 (continued)

CITY OF WARREN, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	Debt Service Funds		
	Building Authority		
	Series 1997 B/A Bonds	Series 2001 B/A Bonds	Series 2002 B/A Bonds
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	-	-	-
Deposits	-	-	-
Receivables (net of allowances where applicable)			
Accrued interest	-	-	-
Accounts	-	-	-
Due from other funds	-	28,695	3,106
Due from other governments	-	-	-
Inventory at cost	-	-	-
Prepaid expenditures	-	-	-
Receivables, non-current:			
Notes	-	-	-
Due from other governments	-	-	-
Delinquent taxes	-	-	-
Special assessments	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 28,695</u>	<u>\$ 3,106</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	-	-	-
Retainages payable	-	-	-
Accrued salaries and wages	-	-	-
Payroll taxes and deductions	-	-	-
Deposits	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>			
<b>Reserved:</b>			
Inventories	-	-	-
Prepaid expenditures	-	-	-
Accounts receivable	-	-	-
Capital projects	-	-	-
<b>Unreserved:</b>			
<b>Designated:</b>			
Subsequent years' expenditures	-	-	-
Compensated absences	-	-	-
Compensatory time	-	-	-
Insurance claims	-	-	-
Undesignated	-	28,695	3,106
Total fund balances	<u>-</u>	<u>28,695</u>	<u>3,106</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 28,695</u>	<u>\$ 3,106</u>

See accompanying notes to financial statements.

Capital Projects Funds					
Special Assessment Funds			Michigan Transportation Construction Funds		
Special Assessment Revolving	Sidewalk and Tree Revolving	TIFA District	1997 Major Streets	2000 Major Streets	2003 Major Streets
\$ 909,002	\$ 1,907,089	\$ 224,870	\$ 156,456	\$ 2,157,318	\$ 4,202,789
-	-	-	-	-	-
-	-	-	-	-	829,400
-	-	-	106	1,463	2,845
-	-	-	-	-	-
-	-	-	-	526,614	115,056
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
106,036	1,746,456	-	-	-	-
<u>\$ 1,015,038</u>	<u>\$ 3,653,545</u>	<u>\$ 224,870</u>	<u>\$ 156,562</u>	<u>\$ 2,685,395</u>	<u>\$ 5,150,090</u>
6,250	188,074	-	-	109,316	116,822
-	44,624	-	-	126,891	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	477,084
106,036	1,746,456	-	-	-	-
<u>112,286</u>	<u>1,979,154</u>	<u>-</u>	<u>-</u>	<u>236,207</u>	<u>593,906</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,461,979	-	80,159	1,912,140	3,393,889
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
902,752	212,412	224,870	76,403	537,048	1,162,295
<u>902,752</u>	<u>1,674,391</u>	<u>224,870</u>	<u>156,562</u>	<u>2,449,188</u>	<u>4,556,184</u>
<u>\$ 1,015,038</u>	<u>\$ 3,653,545</u>	<u>\$ 224,870</u>	<u>\$ 156,562</u>	<u>\$ 2,685,395</u>	<u>\$ 5,150,090</u>

## EXHIBIT B-1 (continued)

CITY OF WARREN, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

	Capital Projects Funds		
	Sewage Disposal Plant Expansion	Downtown Development Authority (1)	Tax Increment Finance Authority
<b>Assets</b>			
Cash and cash equivalents	\$ 127,337	\$ 32,664,198	\$ 1,090,763
Investments	-	-	-
Deposits	-	-	-
Receivables (net of allowances where applicable)			
Accrued interest	-	-	734
Accounts	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventory at cost	-	-	-
Prepaid expenditures	-	-	-
Receivables, non-current:			
Notes	-	-	-
Due from other governments	-	-	-
Delinquent taxes	-	-	-
Special assessments	-	-	-
Total assets	<u>\$ 127,337</u>	<u>\$ 32,664,198</u>	<u>\$ 1,091,497</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	-	11,550	1,042
Retainages payable	-	-	-
Accrued salaries and wages	-	-	-
Payroll taxes and deductions	-	-	-
Deposits	-	-	-
Due to other funds	-	273,462	8,220
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>285,012</u>	<u>9,262</u>
<b>Fund balances:</b>			
<b>Reserved:</b>			
Inventories	-	-	-
Prepaid expenditures	-	-	-
Accounts receivable	-	-	-
Capital projects	53,947	1,869,666	-
<b>Unreserved:</b>			
<b>Designated:</b>			
Subsequent years' expenditures	61,707	-	-
Compensated absences	-	-	-
Compensatory time	-	-	-
Insurance claims	-	-	-
Undesignated	<u>11,683</u>	<u>30,509,520</u>	<u>1,082,235</u>
Total fund balances	<u>127,337</u>	<u>32,379,186</u>	<u>1,082,235</u>
<b>Total liabilities and fund balances</b>	<u>\$ 127,337</u>	<u>\$ 32,664,198</u>	<u>\$ 1,091,497</u>

See accompanying notes to financial statements.

(1) For the fiscal year ended November 30, 2003



Capital Projects Funds			
Building Authority Construction Funds			
Series 1997 Construction	Series 2001 Construction	Series 2002 Construction	Total Governmental Funds
\$ 9,457	\$ 482,129	\$ 90,106	\$ 107,490,010
-	-	-	10,500,000
-	-	-	1,060,500
-	111	43	72,703
-	5,000	-	1,209,102
-	-	-	9,824,231
-	74,880	-	8,175,803
-	-	-	278,975
-	-	-	254,145
-	-	-	5,256,322
-	-	-	2,873,222
-	-	-	2,117,569
-	-	-	1,852,492
<u>\$ 9,457</u>	<u>\$ 562,120</u>	<u>\$ 90,149</u>	<u>\$ 150,965,074</u>
-	3,712	22,577	5,350,702
-	85,182	-	308,544
-	-	-	1,988,393
-	-	-	19,044
-	-	-	258,447
-	28,695	3,983	2,589,665
-	-	-	10,086,960
<u>-</u>	<u>117,589</u>	<u>26,560</u>	<u>20,601,755</u>
-	-	-	278,975
-	-	-	254,145
-	-	-	2,117,569
-	287,472	-	9,607,418
-	-	-	27,887,512
-	-	-	9,619,148
-	-	-	1,120,527
-	-	-	8,158,659
<u>9,457</u>	<u>157,059</u>	<u>63,589</u>	<u>71,319,366</u>
<u>9,457</u>	<u>444,531</u>	<u>63,589</u>	<u>130,363,319</u>
<u>\$ 9,457</u>	<u>\$ 562,120</u>	<u>\$ 90,149</u>	<u>\$ 150,965,074</u>

City of Warren, Michigan  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2004

**Fund balances - governmental funds (Exhibit B-1)** **\$ 130,363,319**

Amounts reported for governmental activities in the statement of net assets differ due to:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

Historical cost	\$ 217,296,303	
Accumulated depreciation	<u>(123,570,653)</u>	93,725,650

Long-term liabilities, including accrued interest on the associated debt, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consist of:

Bonds payable	\$ (77,305,106)	
Installment purchase agreements	(473,636)	
Land contract	(727,538)	
Compensated absences payable	(15,598,651)	
Compensatory time payable	(2,366,812)	
Accrued insurance claims	(8,158,659)	
Accrued interest payable	<u>(543,824)</u>	(105,174,226)

Bond issuance costs, discounts and deferred refunding charges are not current financial resources and therefore are not reported in the governmental funds.

Bond issuance costs	\$ 708,752	
Bond discounts	542,071	
Deferred refunding charge	<u>134,033</u>	1,384,856

Proceeds from certain long-term receivables do not represent current financial resources and therefore are not reported in the governmental funds.

Community Development Block Grant loans	\$ 5,256,322	
Special assessments	<u>1,852,492</u>	<u>7,108,814</u>

**Total net assets - governmental activities (Exhibit A-1)** **\$ 127,408,413**

See accompanying notes to financial statements

## EXHIBIT B-3

CITY OF WARREN, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

		Special Revenue Funds	
		Michigan Transportation Operating	
	General Fund	Major Streets	Local Streets
Revenues:			
Property taxes	\$ 54,381,185	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	1,655,809	-	-
Intergovernmental:			
Federal revenue	922,247	84,684	-
State revenue	15,549,068	7,186,996	2,222,115
Local revenue	483,873	23,109	-
Charges for services	869,762	-	-
Fines and fees	4,666,970	-	-
Interest	753,850	73,252	48,807
Sale of property	-	-	-
Miscellaneous	5,380,553	500	-
Total revenue	<u>84,663,317</u>	<u>7,368,541</u>	<u>2,270,922</u>
Expenditures:			
General government	22,101,858	-	-
Public safety	56,024,563	-	-
City development	5,766,787	-	-
Highways and streets	2,201,584	3,584,682	4,431,770
Recreation and culture	118,719	-	-
Sanitation	-	-	-
Economic development	-	-	-
Community development	-	-	-
Capital projects	-	-	-
Debt service:			
Principal retirement	346,028	-	-
Interest	229,297	-	-
Other	-	-	-
Total expenditures	<u>86,788,836</u>	<u>3,584,682</u>	<u>4,431,770</u>
Excess (deficiency) of revenues over expenditures	<u>(2,125,519)</u>	<u>3,783,859</u>	<u>(2,160,848)</u>
Other financing sources (uses):			
Operating transfers in	3,515,788	64,847	1,557,586
Operating transfers out	(1,191,859)	(3,486,233)	(80,780)
Proceeds from sale of bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Bond premiums/(discounts)	-	-	-
Total other financing sources (uses)	<u>2,323,929</u>	<u>(3,421,386)</u>	<u>1,476,806</u>
Excess (deficiency) of revenues and financing sources over expenditures and other uses	198,410	362,473	(684,042)
Fund balance - beginning of year	<u>57,301,767</u>	<u>7,345,947</u>	<u>3,437,485</u>
Fund balance - end of year	<u>\$ 57,500,177</u>	<u>\$ 7,708,420</u>	<u>\$ 2,753,443</u>

See accompanying notes to financial statements

Special Revenue Funds					
Sanitation	Recreation	Library	Community Development Block Grant	HOME Investment Partnership	Tank Plant Redevelopment
\$ 7,749,847	\$ 3,992,622	\$ 1,996,311	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,188,713	363,464	-
-	63,584	362,716	-	-	178,290
-	254,820	-	-	-	-
-	1,792,234	-	-	-	-
-	-	62,521	-	-	-
33,595	18,668	5,082	-	-	40,230
-	-	-	-	-	-
116,769	82,020	672	581,526	736,889	-
7,900,211	6,203,948	2,427,302	1,770,239	1,100,353	218,520
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	5,679,307	2,539,075	-	-	-
7,836,537	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,891,718	503,759	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,836,537	5,679,307	2,539,075	1,891,718	503,759	-
-	-	-	-	-	-
63,674	524,641	(111,773)	(121,479)	596,594	218,520
-	-	140,000	-	-	-
(23,724)	(24,390)	-	-	-	(3,033,351)
-	-	-	-	-	-
-	-	-	-	-	-
(23,724)	(24,390)	140,000	-	-	(3,033,351)
-	-	-	-	-	-
39,950	500,251	28,227	(121,479)	596,594	(2,814,831)
3,884,637	2,100,710	710,530	177,649	462,788	4,996,157
\$ 3,924,587	\$ 2,600,961	\$ 738,757	\$ 56,170	\$ 1,059,382	\$ 2,181,326

## EXHIBIT B-3 (continued)

CITY OF WARREN, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Special Revenue Funds		
	Communications	Rental Ordinance	Budget Stabilization
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal revenue	-	-	-
State revenue	-	-	-
Local revenue	-	-	-
Charges for services	-	40,000	-
Fines and fees	1,129,307	128,005	-
Interest	18,553	781	-
Sale of property	-	-	-
Miscellaneous	160,099	-	-
Total revenue	<u>1,307,959</u>	<u>168,786</u>	<u>-</u>
Expenditures:			
General government	-	-	-
Public safety	-	-	-
City development	-	182,404	-
Highways and streets	-	-	-
Recreation and culture	1,337,773	-	-
Sanitation	-	-	-
Economic development	-	-	-
Community development	-	-	-
Capital projects	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Other	-	-	-
Total expenditures	<u>1,337,773</u>	<u>182,404</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(29,814)</u>	<u>(13,618)</u>	<u>-</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(326,000)	-	(3,400,000)
Proceeds from sale of bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Bond premiums/(discounts)	-	-	-
Total other financing sources (uses)	<u>(326,000)</u>	<u>-</u>	<u>(3,400,000)</u>
Excess (deficiency) of revenues and financing sources over expenditures and other uses	<u>(355,814)</u>	<u>(13,618)</u>	<u>(3,400,000)</u>
Fund balance - beginning of year	<u>2,746,130</u>	<u>92,498</u>	<u>4,150,000</u>
Fund balance - end of year	<u>\$ 2,390,316</u>	<u>\$ 78,880</u>	<u>\$ 750,000</u>

Special Revenue Funds			Debt Service Funds		
Vice Crime Confiscations	Drug Forfeiture	Police Training	Chapter 20 and 21 Drain Bonds	Special Assessment Bonds	
				Series 2002 S/A Bonds	Series 2003 S/A Bonds
\$ -	\$ -	\$ -	\$ 267	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	55,042	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,058	219,012	-	-	-	-
739	2,826	584	15,612	-	-
-	4,600	-	-	-	-
-	1,616	-	-	-	-
<u>3,797</u>	<u>228,054</u>	<u>55,626</u>	<u>15,879</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	78,460	46,240	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	565,000	240,000	435,488
-	-	-	89,398	22,625	47,529
-	-	-	2,754	275	161
-	<u>78,460</u>	<u>46,240</u>	<u>657,152</u>	<u>262,900</u>	<u>483,178</u>
<u>3,797</u>	<u>149,594</u>	<u>9,386</u>	<u>(641,273)</u>	<u>(262,900)</u>	<u>(483,178)</u>
-	-	-	-	223,357	2,150,963
(15,788)	(100,000)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(15,788)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>223,357</u>	<u>2,150,963</u>
(11,991)	49,594	9,386	(641,273)	(39,543)	1,667,785
<u>93,877</u>	<u>263,229</u>	<u>72,378</u>	<u>2,246,410</u>	<u>808,965</u>	<u>-</u>
\$ <u>81,886</u>	\$ <u>312,823</u>	\$ <u>81,764</u>	\$ <u>1,605,137</u>	\$ <u>769,422</u>	\$ <u>1,667,785</u>

## EXHIBIT B-3 (continued)

CITY OF WARREN, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Debt Service Funds			
	Tax Increment Finance Authority		Downtown Development Authority	
	Series 1991 TIFA Bonds	Series 1999 Refunding TIFA Bonds	Series 2002 DDA Bonds (1)	Series 2003 DDA Bonds (1)
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental:				
Federal revenue	-	-	-	-
State revenue	-	-	-	-
Local revenue	-	-	-	-
Charges for services	-	-	-	-
Fines and fees	-	-	-	-
Interest	-	-	-	-
Sale of property	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
General government	-	-	-	-
Public safety	-	-	-	-
City development	-	-	-	-
Highways and streets	-	-	-	-
Recreation and culture	-	-	-	-
Sanitation	-	-	-	-
Economic development	-	-	-	-
Community development	-	-	-	-
Capital projects	-	-	-	-
Debt service:				
Principal retirement	-	155,000	-	-
Interest	24,000	37,488	959,125	192,813
Other	700	300	275	125
Total expenditures	<u>24,700</u>	<u>192,788</u>	<u>959,400</u>	<u>192,938</u>
Excess (deficiency) of revenues over expenditures	<u>(24,700)</u>	<u>(192,788)</u>	<u>(959,400)</u>	<u>(192,938)</u>
Other financing sources (uses):				
Operating transfers in	24,700	192,788	959,400	192,938
Operating transfers out	-	-	-	-
Proceeds from sale of bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Bond premiums/(discounts)	-	-	-	-
Total other financing sources (uses)	<u>24,700</u>	<u>192,788</u>	<u>959,400</u>	<u>192,938</u>
Excess (deficiency) of revenues and financing sources over expenditures and other uses	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) For the fiscal year ended November 30, 2003

### Debt Service Funds

## Michigan Transportation Bonds

Series 1991 MTF Bonds	Series 1993 MTF Bonds	Series 1997 MTF Bonds	Series 2000 MTF Bonds	Series 2003 Refunding MTF Bonds	Series 2003 MTF Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,414	8,790
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,414	8,790
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	275,000	100,000	1,085,000	100,000
-	-	151,590	238,455	73,260	93,075
-	250	700	275	105,666	112
-	250	427,290	338,730	1,263,926	193,187
-	(250)	(427,290)	(338,730)	(1,259,512)	(184,397)
-	250	427,290	338,730	1,153,846	184,397
-	-	-	-	-	-
-	-	-	-	4,310,000	-
-	-	-	-	(4,224,218)	-
-	-	-	-	19,884	-
-	250	427,290	338,730	1,259,512	184,397
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



## EXHIBIT B-3 (continued)

CITY OF WARREN, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Debt Service Funds		
	Building Authority Bonds		
	Series 1997 B/A Bonds	Series 2001 B/A Bonds	Series 2002 B/A Bonds
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal revenue	-	-	-
State revenue	-	-	-
Local revenue	-	-	-
Charges for services	-	-	-
Fines and fees	-	-	-
Interest	-	-	-
Sale of property	-	-	-
Miscellaneous	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
General government	-	-	-
Public safety	-	-	-
City development	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Sanitation	-	-	-
Economic development	-	-	-
Community development	-	-	-
Capital projects	-	-	-
Debt service:			
Principal retirement	583,333	300,000	365,916
Interest	42,584	625,688	87,705
Other	250	275	252
Total expenditures	<u>626,167</u>	<u>925,963</u>	<u>453,873</u>
Excess (deficiency) of revenues over expenditures	<u>(626,167)</u>	<u>(925,963)</u>	<u>(453,873)</u>
Other financing sources (uses):			
Operating transfers in	626,167	925,963	453,873
Operating transfers out	-	-	-
Proceeds from sale of bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Bond premiums/(discounts)	-	-	-
Total other financing sources (uses)	<u>626,167</u>	<u>925,963</u>	<u>453,873</u>
Excess (deficiency) of revenues and financing sources over expenditures and other uses	-	-	-
Fund balance - beginning of year	-	28,695	3,106
Fund balance - end of year	<u>\$ -</u>	<u>\$ 28,695</u>	<u>\$ 3,106</u>

Capital Projects Funds					
Special Assessment Funds			Michigan Transportation Construction Funds		
Special Assessment Revolving	Sidewalk and Tree Revolving	TIFA District	1997 Major Streets	2000 Major Streets	2003 Major Streets
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39,759	1,570,352	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	28,914	-	-	-	-
6,462	4,893	-	2,111	19,272	16,323
-	-	-	-	-	-
-	-	-	-	-	-
<u>46,221</u>	<u>1,604,159</u>	<u>-</u>	<u>2,111</u>	<u>19,272</u>	<u>16,323</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	45,072	843,727
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,250	2,901,770	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	26,520	-	-	-	61,412
<u>6,250</u>	<u>2,928,290</u>	<u>-</u>	<u>-</u>	<u>45,072</u>	<u>905,139</u>
<u>39,971</u>	<u>(1,324,131)</u>	<u>-</u>	<u>2,111</u>	<u>(25,800)</u>	<u>(888,816)</u>
-	2,293,388	-	-	530,000	-
-	(2,374,320)	-	(530,000)	-	-
-	2,304,457	-	-	-	5,500,000
-	-	-	-	-	-
-	(7,605)	-	-	-	(55,000)
<u>-</u>	<u>2,215,920</u>	<u>-</u>	<u>(530,000)</u>	<u>530,000</u>	<u>5,445,000</u>
-	-	-	-	-	-
39,971	891,789	-	(527,889)	504,200	4,556,184
<u>862,781</u>	<u>782,602</u>	<u>224,870</u>	<u>684,451</u>	<u>1,944,988</u>	<u>-</u>
\$ <u>902,752</u>	\$ <u>1,674,391</u>	\$ <u>224,870</u>	\$ <u>156,562</u>	\$ <u>2,449,188</u>	\$ <u>4,556,184</u>

## EXHIBIT B-3 (continued)

CITY OF WARREN, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Capital Projects Funds		
	Sewage Disposal Plant Expansion	Downtown Development Authority (1)	Tax Increment Finance Authority
Revenues:			
Property taxes	\$ -	\$ 3,203,273	\$ 416,560
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental:			
Federal revenue	-	-	-
State revenue	-	-	21,168
Local revenue	-	-	-
Charges for services	-	-	-
Fines and fees	-	-	-
Interest	-	334,218	6,976
Sale of property	-	-	-
Miscellaneous	-	75,130	10,872
Total revenue	-	3,612,621	455,576
Expenditures:			
General government	-	-	-
Public safety	-	-	-
City development	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Sanitation	-	-	-
Economic development	-	2,059,112	116,991
Community development	-	-	-
Capital projects	4,370	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Other	-	165,558	-
Total expenditures	4,370	2,224,670	116,991
Excess (deficiency) of revenues over expenditures	(4,370)	1,387,951	338,585
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	(1,152,338)	(217,488)
Proceeds from sale of bonds	-	20,000,000	-
Payment to refunded bond escrow agent	-	-	-
Bond premiums/(discounts)	-	(122,276)	-
Total other financing sources (uses)	-	18,725,386	(217,488)
Excess (deficiency) of revenues and financing sources over expenditures and other uses	(4,370)	20,113,337	121,097
Fund balance - beginning of year	131,707	12,265,849	961,138
Fund balance - end of year	\$ 127,337	\$ 32,379,186	\$ 1,082,235

(1) For the fiscal year ended November 30, 2003

Capital Projects Funds			
Building Authority Construction Funds			
Series 1997 Construction	Series 2001 Construction	Series 2002 Construction	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 71,740,065
-	-	-	1,610,111
-	-	-	1,655,809
-	-	-	2,559,108
-	-	-	25,638,979
-	-	-	761,802
-	-	-	2,730,910
-	-	-	6,208,873
-	27,280	2,375	1,445,693
-	-	-	4,600
-	-	-	7,146,646
-	27,280	2,375	121,502,596
1,280	-	63,965	22,167,103
-	-	483,761	56,633,024
-	-	2,286	5,951,477
-	-	-	11,106,835
-	1,184,443	18,346	10,877,663
-	-	-	7,836,537
-	-	-	2,176,103
-	-	-	2,395,477
-	-	-	2,912,390
-	-	-	4,550,765
-	-	-	2,914,632
-	-	-	365,860
1,280	1,184,443	568,358	129,887,866
(1,280)	(1,157,163)	(565,983)	(8,385,270)
-	-	-	15,956,271
-	-	-	(15,956,271)
-	-	-	32,114,457
-	-	-	(4,224,218)
-	-	-	(164,997)
-	-	-	27,725,242
(1,280)	(1,157,163)	(565,983)	19,339,972
10,737	1,601,694	629,572	111,023,347
\$ 9,457	\$ 444,531	\$ 63,589	\$ 130,363,319

City of Warren, Michigan  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2004

**Net change in fund balances - governmental funds (Exhibit B-3)** **\$ 19,339,972**

Amounts reported for governmental activities in the statement of activities differ due to:

Governmental funds report capital outlays as expenditures. However, in the statement of activities these items are capitalized and the costs of those assets are allocated over their estimated useful lives as depreciation.

Capitalized assets	\$ 4,850,087	
Depreciation	<u>(5,761,103)</u>	(911,016)

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported.

(46,247)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets.

Issuance on long-term debt	\$ (27,366,086)	
Principal payment on long-term debt	<u>4,550,767</u>	(22,815,319)

Governmental funds report the effect of issuance costs, premiums, discounts and advance refunding charges when long-term debt is issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond issuance costs, net of amortization	\$ (77,338)	
Bond discounts, net of amortization	\$ (32,897)	
Deferred refunding charges, net of amortization	<u>(31,869)</u>	(142,104)

Accrued interest expense on long-term debt does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

(102,297)

Changes in accumulated employee compensated absences and compensatory time, as well as estimated general insurance claims, are recorded when earned or incurred in the statement of activities.

Compensated absences	\$ (1,084,781)	
Compensatory time	(277,728)	
Insurance claims	<u>1,621,937</u>	259,428

In the governmental funds, revenues from certain long-term receivables are only reported upon receipt of the proceeds.

Community Development Block Grant loans	\$ (93,936)	
Special assessments	<u>(569,500)</u>	(663,436)

**Change in net assets - governmental activities (Exhibit A-2)** **\$ (5,081,019)**

See accompanying notes to financial statements

CITY OF WARREN, MICHIGAN  
STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

June 30, 2004

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer System (1)	Senior Citizen Housing Funds Stilwell Manor	Jos. Coach Manor	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 11,581,869	\$ 1,392,526	\$ 2,410,788	\$ 15,385,183
Accounts receivable	8,226,295	1,166	-	8,227,461
Accrued interest on investments	9,035	965	641	10,641
Grants receivable	35,000	-	-	35,000
Due from other funds	8,855	462,170	-	471,025
Land contract interest receivable	22,800	-	-	22,800
Materials and supplies inventory - at cost	289,210	-	-	289,210
Prepaid expenses	2,664	635	-	3,299
Total current assets	<u>20,175,728</u>	<u>1,857,462</u>	<u>2,411,429</u>	<u>24,444,619</u>
Restricted assets:				
Cash and cash equivalents	14,183,402	43,271	136,454	14,363,127
Due from State of Michigan	537,473	-	-	537,473
Due from other funds	877	-	-	877
Designated for future projects	8,236,199	-	-	8,236,199
Total restricted assets	<u>22,957,951</u>	<u>43,271</u>	<u>136,454</u>	<u>23,137,676</u>
Deferred charges:				
Bond issuance costs	-	-	71,156	71,156
Other assets:				
Land contract receivable	<u>759,997</u>	<u>-</u>	<u>-</u>	<u>759,997</u>
Property, plant and equipment at cost:				
Land	605,219	221,644	-	826,863
Building and improvements	38,657,579	2,994,301	9,905,821	51,557,701
Utility system	106,687,128	-	-	106,687,128
Machinery, equipment and furniture	<u>10,400,280</u>	<u>289,408</u>	<u>1,101,169</u>	<u>11,790,857</u>
Total property, plant and equipment	156,350,206	3,505,353	11,006,990	170,862,549
Less: accumulated depreciation	<u>64,780,085</u>	<u>2,075,391</u>	<u>2,996,519</u>	<u>69,851,995</u>
Net property, plant and equipment	<u>91,570,121</u>	<u>1,429,962</u>	<u>8,010,471</u>	<u>101,010,554</u>
Total assets	<u>\$ 135,463,797</u>	<u>\$ 3,330,695</u>	<u>\$ 10,629,510</u>	<u>\$ 149,424,002</u>

(Continued)

## Note:

(1) For fiscal year ended December 31, 2003.

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water and Sewer System (1)	Senior Citizen Housing Funds		Totals
		Stilwell Manor	Jos. Coach Manor	
<b>Liabilities and Fund Equity</b>				
Current liabilities - unrestricted:				
Accounts payable	\$ 2,022,870	\$ 22,472	\$ 45,779	\$ 2,091,121
Accrued wages payable	132,437	6,221	354	139,012
Payroll taxes and deductions	79,392	-	-	79,392
Due to other funds	1,172,501	60,409	857,699	2,090,609
Building Authority bonds - current	810,000	-	95,000	905,000
Revenue bonds payable - current	724,512	-	-	724,512
Accrued interest payable	-	-	79,721	79,721
Deferred revenue	-	-	26,880	26,880
Customer deposits	74,738	-	-	74,738
Total current liabilities - unrestricted	5,016,450	89,102	1,105,433	6,210,985
Current liabilities - restricted assets:				
Accounts payable	607,754	-	-	607,754
Accrued interest payable	318,077	-	-	318,077
Building Authority bonds payable	152,881	-	-	152,881
Construction contracts to be performed in future periods	8,236,199	-	-	8,236,199
Tenant security deposits	-	43,271	136,454	179,725
Total current liabilities - restricted assets	9,314,911	43,271	136,454	9,494,636
Long term liabilities - unrestricted:				
Accumulative sick leave	1,312,576	20,094	-	1,332,670
Accumulative compensatory time	111,218	9,790	-	121,008
Revenue bonds payable	37,068,504	-	-	37,068,504
Building Authority bonds payable	-	-	8,755,000	8,755,000
Unamortized bond discount	(247,505)	-	(48,668)	(296,173)
Deferred refunding charge	(621,508)	-	(402,621)	(1,024,129)
Total long term liabilities - unrestricted	37,623,285	29,884	8,303,711	45,956,880
Long term liabilities - restricted assets:				
Building Authority bonds payable	195,981	-	-	195,981
Unamortized bond discount	(1,978)	-	-	(1,978)
Total long term liabilities - restricted assets	194,003	-	-	194,003
Total liabilities	52,148,649	162,257	9,545,598	61,856,504
<b>Net assets</b>				
Invested in capital assets, net of related debt	61,725,433	1,429,962	-	63,155,395
Restricted for:				
Debt service	3,847,809	-	-	3,847,809
Construction	10,177,551	-	-	10,177,551
Insurance claims	500,000	-	-	500,000
Unrestricted net assets	7,064,355	1,738,476	1,083,912	9,886,743
Total net assets	83,315,148	3,168,438	1,083,912	87,567,498
Total liabilities and net assets	\$ 135,463,797	\$ 3,330,695	\$ 10,629,510	\$ 149,424,002

CITY OF WARREN, MICHIGAN  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND TYPES

For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Water and Sewer System (1)	Senior Citizen Housing Funds		
		Stilwell Manor	Jos. Coach Manor	Totals
Operating revenues:				
Charges for services	\$ 26,992,448	\$ -	\$ -	\$ 26,992,448
Rental revenues	-	422,376	1,020,895	1,443,271
Maintenance revenues	-	-	275,138	275,138
Other operating revenues	-	238,201	8,124	246,325
Total operating revenues	<u>26,992,448</u>	<u>660,577</u>	<u>1,304,157</u>	<u>28,957,182</u>
Operating expenses:				
Water purchases	7,578,870	-	-	7,578,870
Personal services	10,473,168	369,428	20,406	10,863,002
Contractual services	-	18,626	31,008	49,634
Materials and supplies	800,537	15,152	22,565	838,254
Utilities	-	112,684	64,474	177,158
Other services and charges	6,038,705	178,899	281,221	6,498,825
Depreciation	<u>3,660,788</u>	<u>95,013</u>	<u>324,262</u>	<u>4,080,063</u>
Total operating expenses	<u>28,552,068</u>	<u>789,802</u>	<u>743,936</u>	<u>30,085,806</u>
Operating income (loss)	<u>(1,559,620)</u>	<u>(129,225)</u>	<u>560,221</u>	<u>(1,128,624)</u>
Nonoperating revenues (expenses):				
Interest income	287,793	13,950	16,047	317,790
Interest expense	(2,007,532)	-	(536,057)	(2,543,589)
Bond issuance costs	-	-	(5,337)	(5,337)
Fiscal charges	-	-	(278)	(278)
Gain / (loss) on disposal of assets	-	-	-	-
Other revenue / (expense)	<u>(15,856)</u>	<u>-</u>	<u>-</u>	<u>(15,856)</u>
Total nonoperating revenues (expenses)	<u>(1,735,595)</u>	<u>13,950</u>	<u>(525,625)</u>	<u>(2,247,270)</u>
Net income (loss)	<u>(3,295,215)</u>	<u>(115,275)</u>	<u>34,596</u>	<u>(3,375,894)</u>
Net assets - beginning of year	<u>86,610,363</u>	<u>3,283,713</u>	<u>1,049,316</u>	<u>90,943,392</u>
Net assets - end of year	<u>\$ 83,315,148</u>	<u>\$ 3,168,438</u>	<u>\$ 1,083,912</u>	<u>\$ 87,567,498</u>

Note:

(1) For fiscal year ended December 31, 2003.

See accompanying notes to financial statements.



CITY OF WARREN, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer System (1)	Senior Citizen Housing Funds Stilwell Manor	Jos. Coach Manor	
Cash flows from operating activities:				
Cash received from customers	\$ 24,869,498	\$ 428,882	\$ 1,295,944	\$ 26,594,324
Cash payments to suppliers for goods and services	(14,169,545)	(477,936)	20,409	(14,627,072)
Cash payments to employees for services	(10,455,679)	(366,737)	(20,281)	(10,842,697)
Other operating revenues	1,194,780	5,094	-	1,199,874
Net cash provided by (used for) operating activities	1,439,054	(410,697)	1,296,072	2,324,429
Cash flows from other nonoperating activities:				
Cash flows from capital and related financing activities:				
Other income	-	-	-	-
Acquisition and construction of capital assets	(3,578,473)	-	-	(3,578,473)
Debt issuance less debt principal payments	237,157	-	(105,000)	132,157
Debt interest, issuance costs and fiscal charges	(1,844,467)	-	(481,312)	(2,325,779)
Net cash provided by (used for) capital and related financing activities	(5,185,783)	-	(586,312)	(5,772,095)
Cash flows from investing activities:				
Interest on investments	287,309	14,463	16,066	317,838
Net cash provided by (used for) investing activities	287,309	14,463	16,066	317,838
Net increase (decrease) in cash and cash equivalents	(3,459,420)	(396,234)	725,826	(3,129,828)
Cash and cash equivalents - beginning of year	29,224,691	1,832,031	1,821,416	32,878,138
Cash and cash equivalents - end of year	\$ 25,765,271	\$ 1,435,797	\$ 2,547,242	\$ 29,748,310

(Continued)

## Note:

(1) For fiscal year ended December 31, 2003

See accompanying notes to financial statements.

CITY OF WARREN, MICHIGAN  
STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds			Totals
	Water and Sewer System (1)	Senior Citizen Housing Funds Stilwell Manor	Jos. Coach Manor	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (1,559,620)	\$ (129,225)	\$ 560,221	\$ (1,128,624)
Adjustments to reconcile income to net cash provided by (used for) operating activities:				
Depreciation	3,660,788	95,013	324,262	4,080,063
Other income	1,574	-	-	1,574
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(892,200)	(1,166)	-	(893,366)
(Increase) decrease in grants receivable	(35,000)	-	-	(35,000)
(Increase) decrease in interfund receivables	-	(227,242)	-	(227,242)
(Increase) decrease in inventory	(43,425)	-	-	(43,425)
Increase (decrease) in accounts payable	293,661	(3,213)	28,955	319,403
Increase (decrease) in				
(Increase) decrease in prepaid expenses	11,336	(635)	-	10,701
wages and benefits payable	6,153	2,691	125	8,969
Increase (decrease) in customer deposits	(4,213)	1,807	2,343	(63)
Increase (decrease) in interfund payables	-	(148,727)	390,722	241,995
Increase (decrease) in deferred revenue	-	-	(10,556)	(10,556)
Total adjustments	2,998,674	(281,472)	735,851	3,453,053
Net cash provided by operating activities	\$ 1,439,054	\$ (410,697)	\$ 1,296,072	\$ 2,324,429

## Note:

(1) For fiscal year ended December 31, 2003.

## EXHIBIT B-8

CITY OF WARREN, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

June 30, 2004

	Pension and Other Employee Benefit Trust Funds (1)	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 392,627	\$ 1,922,888
Receivables:		
Investment sales	335,760	-
Accrued interest and dividends	1,864,033	28
Due from other funds:		
General fund	436,988	-
Water and sewer system	116,014	-
Other	664	-
Prepaid expenses	3,756	-
Investments, at fair value:		
Securities lending short-term collateral investment pool	42,609,374	-
Short-term cash management funds	12,780,993	-
Distressed debt recovery fund	1,636,015	-
U.S. government bonds	28,825,212	-
U.S. government agencies' notes and debentures	29,672,083	-
Corporate and other bonds and securities	66,375,358	-
Equity mutual funds	15,899,229	-
Fixed income mutual funds	3,018,893	-
Real estate investment trusts	8,254,795	-
Equities	233,921,187	-
Total investments	442,993,139	-
Total assets	446,142,981	1,922,916
<b>Liabilities</b>		
Accounts payable	326,676	600,650
Investment purchases	321,791	-
Due broker under securities lending agreement	42,609,374	-
Due to other funds:		
General fund	3,743,572	19
Water and sewer system	-	-
Deposits and escrows	-	1,322,247
Due to other governmental units	-	-
Total liabilities	47,001,413	1,922,916
<b>Net assets</b>		
Held in trust for pension and other employee benefits	\$ 399,141,568	

## Note:

- (1) The City Employees' Retirement System and Police and Fire Retirement System are reported for the fiscal year ended December 31, 2003.  
The City Employee V.E.B.A. Trust is reported for the fiscal year ended June 30, 2004

See accompanying notes to financial statements.

CITY OF WARREN, MICHIGAN  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

For the Year Ended June 30, 2004

	Pension and Other Employee Benefit Trust Funds (1)
<b>Additions:</b>	
Contributions:	
Employer	\$ 11,172,357
Employee	375,025
Total contributions	<u>11,547,382</u>
Investment activity:	
Net appreciation/(depreciation) in fair value of investments	56,370,745
Interest and dividend income	<u>10,922,526</u>
	67,293,271
Less investment expense	<u>(1,921,251)</u>
Net investment gain/(loss)	<u>65,372,020</u>
Securities lending income:	
Interest and fees	505,593
Less borrower rebates and bank fees	<u>(437,911)</u>
Net securities lending income	<u>67,682</u>
Miscellaneous income	<u>290,426</u>
Total additions	<u>77,277,510</u>
<b>Deductions:</b>	
Retirees' pension benefits	24,206,261
Retiree health insurance	5,646,170
Refunds and withdrawals of contributions	946,177
Administrative expense	<u>514,113</u>
Total deductions	<u>31,312,721</u>
Net decrease	45,964,789
Net assets held in trust for pension and other employee benefits:	
Beginning of year	<u>353,176,779</u>
End of year	<u>\$ 399,141,568</u>

Note:

- (1) The City Employees' Retirement System and Police and Fire Retirement System are reported for the fiscal year ended December 31, 2003.  
The City Employee V.E.B.A. Trust is reported for the fiscal year ended June 30, 2004

See accompanying notes to financial statements.

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Warren, formerly Warren Township, was incorporated January 1, 1957, under the provisions of Act 279, P.A. 1909 as amended (Home Rule Act). The City is administered by a Mayor, Council of nine members, Treasurer and Clerk, all of whom are elected for four-year terms. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, recreation, library, planning and zoning and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has not chosen to do so.

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.

- Financial statements prepared using the full accrual accounting for all the City's activities, including infrastructure reporting.

- A change in the fund financial statements to focus on major funds.

The City has elected to report all governmental and proprietary funds as major funds in the fund financial statements. This election was made to provide the City's elected officials, department heads, financial administration and other users a greater degree of detailed financial information to manage and evaluate the City's operations.

**1. REPORTING ENTITY**

The financial statements of the reporting entity include those of the City of Warren (the primary government) and its component units, entities for which the City is considered to be financially responsible. Blended component units, although legally separate entities, are in substance part of the City's operations and data for these units is combined with the data of the primary government.

The City of Warren Building Authority and Tax Increment Finance Authority have a fiscal year end of June 30. The Downtown Development Authority has a fiscal year end of November 30. These entities are considered blended component units based upon the following criteria:

The **City of Warren Building Authority** was incorporated, pursuant to the provisions of Act 31, Public Acts of Michigan, 1948, as amended, and approved by the Warren City Council for the purpose of acquiring, furnishing, equipping and maintaining buildings, structures and sites for use by the City. The Authority is governed by a Commission consisting of three members who are appointed by the Mayor and the City Council. All contracts entered into by the Authority must be approved by the City Council. The City has pledged its full faith and credit for payment of annual lease payments to the Authority in order to satisfy principal and interest requirements from issuance of Building Authority Bonds. The City of Warren Building Authority is reported within the Enterprise and Capital Projects funds.

The **Tax Increment Finance Authority** of the City of Warren was established pursuant to Act 450 of the Michigan Public Acts of 1980, and approved by the Warren City Council to prevent urban deterioration, encourage economic development and historic preservation within a defined geographic area of the City of Warren. The Authority is governed by a Board of Directors consisting of eight members who are appointed by the Mayor subject to the approval of the City Council. The City has pledged its full faith and credit for payment of principal and interest requirements from issuance of Tax Increment Finance Authority Bonds. The Tax Increment Finance Authority is reported as a Capital Projects fund.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. REPORTING ENTITY (continued)**

The **Downtown Development Authority** of the City of Warren was established pursuant to Act 197 of the Public Acts of Michigan, 1975, as amended, and approved by the Warren City Council to prevent property value deterioration, eliminate the causes of that deterioration, increase property tax valuation where possible and improve economic growth in the business district of the City. The Authority is governed by a Board of Directors which consists of the Mayor plus eight members appointed by the Mayor subject to the approval of the City Council. The Downtown Development Authority is reported as a Capital Projects fund.

Additional Information for each of the individual component units may be obtained at the entity's administrative offices.

City of Warren Building Authority  
Council Office  
5460 Arden  
Warren, MI 48092

Tax Increment Finance Authority  
Controller's Office  
29500 Van Dyke Avenue  
Warren, MI 48093

Downtown Development Authority  
Controller's Office  
29500 Van Dyke Avenue  
Warren, MI 48093

**2. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The statements are prepared on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Both, governmental activities and business-type activities are reported on a consolidated basis. The City's business-type activities include the operation of the Water and Sewer System and the Senior Citizen Housing complex. All other activities of the City, including police and fire protection, recreation, sanitation, library, public works, etc., are considered governmental activities.

For the most part, interfund activity has been eliminated from the government-wide financial statements. Exceptions are payments-in-lieu of taxes, water purchases and other charges between the proprietary funds and other governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of net assets reports net assets in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from the goods or services provided 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported as general revenues.

The City does not allocate indirect expenses. An administrative service fee is charged by the general fund to other funds to recover direct costs such as finance, personnel, purchasing, legal costs, etc., incurred by the general fund. This reimbursement is eliminated by the reducing corresponding revenues and expenses in the general fund.

**3. FUND FINANCIAL STATEMENTS**

The financial transactions of the City are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3. FUND FINANCIAL STATEMENTS (continued)**

The following fund types are used by the City:

**Governmental Funds**

The governmental funds measurement focus in the fund financial statements is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

**General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

**Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

**Capital Projects Funds** account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**Proprietary Funds**

The proprietary funds measurement focus is based upon determining operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The following is a description of proprietary funds of the City:

**Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by the pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on the pricing policy designed to recover similar costs.

**Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

**4. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4. BASIS OF ACCOUNTING (continued)**

**Modified Accrual**

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 90 days of the end of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service payments expenditures, as well as expenditures related to compensated absences and claims and judgements, are recognized when due.

**5. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**Cash and Cash Equivalents**

The City has defined cash and cash equivalents to include cash on hand, demand deposits, short-term investment pools, and certificates of deposit with original maturities of three months or less from the date of acquisition.

**Investments**

Investments, including pension funds, are stated at fair value.

**Receivables**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of the fiscal year end, balances are reported as "due to / due from other funds" in the governmental funds financial statements. These amounts are eliminated on the government-wide financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Property taxes and interest earnings are considered susceptible to accrual and are recognized as revenues of the current fiscal period. However, delinquent property taxes are reported as a reservation of fund balance in the governmental fund financial statements because they are not available to pay current liabilities.

Only the portion of special assessments due within the current fiscal year is considered as revenue susceptible to accrual in the governmental fund financial statements. The remaining balance of special assessment receivables is recorded as deferred revenue.

**Inventories and prepaid items**

All inventories are valued at cost using the first-in / first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories and prepaid items are reported as a reservation of fund balance in the governmental fund financial statements because they are not available to pay current liabilities.

(Continued)



CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)**

**Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of at least \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Property, plant and equipment is depreciated using the straight line method over the following estimated lives:

Buildings	40 - 60 years
Water and sewer mains	50 years
Machinery and equipment	5 - 25 years
Land improvements	20 years
Road system	12 - 50 years

**Compensated absences and compensatory time**

All full-time employees of the City earn one sick leave day for each month of service rendered, not to exceed twelve days in any calendar year. Employees are allowed to accumulate anywhere from 27 days to 225 days depending upon their hire date, union affiliation and pension plan participation. Upon retirement, most employees are paid eighty percent of their accumulated sick bank.

Employees are allowed to accumulate compensatory time in lieu of receiving overtime pay. Compensatory time is allowed to accumulate to a maximum of 150 hours.

Compensated absences and compensatory time, inclusive of associated payroll taxes and benefits, are accrued in the government-wide financial statements.

The governmental fund financial statements report a designation of fund balance for compensated absences and compensatory time to the extent that budget appropriations have been approved to fund this noncurrent liability.

**Long-term debt**

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)**

**Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**6. ENCUMBRANCES**

Budgets in governmental funds and proprietary funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. Appropriations for the fiscal year lapse every June 30. However, management does restrict unreserved fund balance designated for the subsequent year's expenditures by the amount of material expenditures for goods and services which were ordered, budgeted and appropriated at year end but which had not been received or completed at that date. City Council, by separate resolution, reappropriates funds in the subsequent year to complete these transactions.

**B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**1. BUDGETARY DATA**

Annual balanced budgets are adopted for the General, Special Revenue and Debt Service Funds as required by the Michigan Public Act 621 of 1978, the Uniform Budgeting and Accounting Act. Budgets were not formally adopted for Tax Increment Finance Authority and Building Authority Debt Service Funds. Although not required, budgets were formally adopted for the Water and Sewer System and Senior Citizen Housing Proprietary Funds as well as the Sewer Plant Expansion Capital Projects Fund to assist management in monitoring operations.

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

Not later than the second Monday in April of each year, the Mayor shall submit to the Council a recommended budget for the next fiscal year.

The recommended budget of the Mayor, together with his supporting schedules, information and messages, shall be reviewed by the Council.

A public hearing on the budget shall be held not less than one week before its final adoption.

Not later than the third Monday in May of each year, the Council shall, by resolution, adopt a budget for the ensuing fiscal year in accordance with the Michigan Uniform Budgeting and Accounting Act.

Budgets for the General, Special Revenue and Debt Service Funds were adopted on the modified accrual basis of accounting consistent with generally accepted accounting principles.

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City Council, by resolution, adopted a budget on a specific line item basis for the city departments, divisions, boards, commissions and other activities. Subsequently, management must seek approval from the City Council to amend any budget line item during the fiscal year. For the fiscal year ended June 30, 2004, the following line items exceeded the amount budgeted:

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (continued)**

General Fund:	<u>Total Expenditures</u>	<u>Amount Budgeted</u>	<u>Amount Over Budget</u>
Council:			
Employee insurances	\$ 143,006	\$ 125,792	\$ 17,214
Mayor:			
Employee insurances	75,567	60,298	15,269
37 <sup>th</sup> District Court:			
Employee insurances	457,205	362,778	94,427
Office supplies	52,647	52,000	647
Counsel for indigent defendants	587,603	537,000	50,603
Clerk:			
Employee insurances	86,656	85,163	1,493
Controller:			
Employee insurances	192,077	171,287	20,790
Mileage	733	600	133
Information Systems:			
Employee insurances	46,933	36,372	10,561
Assessing:			
Employee insurances	115,748	105,942	9,806
Personnel:			
Employee insurances	71,681	58,013	13,668
City employees' retirement:			
Retiree insurances	5,310,256	4,450,000	860,256
Medicare reimbursement	335,913	330,000	5,913
Police and fire retirement:			
Retiree insurances	4,594,431	4,300,000	294,431
Medicare reimbursement	172,500	160,000	12,500
Employee insurances	20,052	15,042	5,010
Beautification Commission:			
Employee insurances	13,328	10,063	3,265
Administration:			
Legal fees	324,184	300,000	24,184
Accumulated sick leave	112,771	-	112,771
Accumulated compensatory time	360,905	-	360,905
Fire Department:			
Employee insurances	2,345,454	2,064,367	281,087
Police Department:			
Employee insurances	3,399,594	3,001,062	398,532
Postage	8,820	8,500	320
Animal Control:			
Employee insurances	20,144	15,865	4,279
Civil Defense:			
Employee insurances	14,711	11,984	2,727
Engineering:			
Contractual – engineering and inspections	54,262	50,000	4,262
Public Service Director:			
Employee insurances	43,321	35,002	8,319
Planning:			
Overtime	10,671	8,000	2,671
Street Maintenance:			
Reimbursement to local roads	95,086	91,847	3,239

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (continued)**

	<u>Total Expenditures</u>	<u>Amount Budgeted</u>	<u>Amount Over Budget</u>
Special Revenue Funds:			
Michigan Transportation Operating:			
Major Street Fund:			
Routine Maintenance			
Mound Road landscaping project	\$ 28,206	\$ 27,000	\$ 1,206
Snow and ice control:			
Employee insurances	12,413	11,424	989
Traffic Services:			
Traffic signal maintenance	191,821	190,000	1,821
Local Street Fund:			
Routine Maintenance:			
Employee insurances	222,377	198,334	24,043
Equipment rentals	755,433	745,000	10,433
Snow and Ice Control:			
Employee insurances	15,369	13,802	1,567
Traffic Services:			
Employee insurances	11,200	10,941	259
Equipment rentals	9,002	9,000	2
Sanitation:			
Overtime – rubbish collection	349,511	335,000	14,511
Recreation:			
General Parks and Recreation:			
Seasonal employees – maintenance	68,156	68,000	156
Employee insurances	219,236	195,528	23,708
Public utilities	443,437	425,000	18,437
Capital improvements	68,147	39,783	28,364
City Pool:			
Employee insurances	32,495	31,468	1,027
Transportation:			
Seasonal employees	133,209	130,000	3,209
Social security	10,191	10,075	116
Library:			
Public utilities	128,654	123,500	5,154
Communications:			
Music library	6,065	5,000	1,065
Public utilities	90,289	85,000	5,289
Rental Ordinance Fund:			
Employee insurances	19,584	15,259	4,325
Debt Service Funds:			
1997 MTF Debt Retirement Fund:			
Fiscal charges – Major streets	700	350	350

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**B. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (continued)**

	<u>Total Expenditures</u>	<u>Amount Budgeted</u>	<u>Amount Over Budget</u>
Enterprise Funds:			
Water and Sewer System (1):			
Water maintenance:			
Permanent employees	\$ 1,106,397	\$ 974,709	\$ 131,688
Social security	101,810	90,213	11,597
Retirement fund	319,870	267,869	52,001
Defined contribution expense	14,088	13,299	789
Operating supplies	160,547	125,000	35,547
Materials	75,046	70,000	5,046
Dirt removal	119,023	105,000	14,023
Pavement and lawn repairs	330,559	300,000	30,559
Meter repair and service:			
Overtime	13,649	10,000	3,649
Retirement fund	113,367	112,788	579
Operating supplies	29,272	25,000	4,272
Administration:			
Temporary employees	22,436	16,000	6,436
Overtime	74,326	50,000	24,326
Defined contribution expense	45,121	41,395	3,726
Postage	182,579	175,000	7,579
Administrative expense	1,223,500	1,050,000	173,500
MSDWA annual fee	18,704	18,000	704
Agent fees	1,825	1,500	325
Meter Reading:			
Employee insurances	40,018	21,390	18,628
Retirement fund	40,535	39,399	1,136
Auto expense	6,402	3,000	3,402
Waste Water Treatment Plant:			
Overtime	316,269	280,000	36,269
Holiday Pay	64,591	64,286	305
Defined contribution expense	109,431	99,395	10,036
Chemicals	283,416	260,000	23,416
Utilities	632,225	375,000	257,225
Electric power	1,126,505	1,080,000	46,505
Repairs and maintenance	455,835	420,000	35,835
Sewer Maintenance:			
Overtime	101,211	60,000	41,211
Employee insurances	167,053	137,636	29,417
VEBA Trust contributions	164,954	147,650	17,304
Longevity	25,973	25,816	157
Uniforms	2,818	2,660	158
Operating supplies	118,216	100,000	18,216
Pavement and lawn repairs	329,617	300,000	29,617

(1) For the fiscal year ended December 31, 2003.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**1. DEPOSITS AND INVESTMENTS**

Cash balances of the City, excluding balances maintained by the Water and Sewer System, Building Authority, Tax Increment Finance Authority, Downtown Development Authority, City Employees' Retirement System, Police and Fire Retirement System, and City Employees' VEBA Trust, without recognizing checks issued but not cashed or deposits in transit, and including certificates of deposit in the amount of \$40,500,000, totaled \$56,750,779 at June 30, 2004. The carrying amount of these deposits as recorded in the financial statements is \$55,787,770. Of this amount, \$832,029 was covered by federal deposit insurance and \$55,918,750 was uninsured and uncollateralized.

Deposits of the Water and Sewer System are recorded for the year ended December 31, 2003. Cash balances, without recognizing checks issued but not cashed or deposits in transit, and including certificates of deposit in the amount of \$4,000,000, totaled \$4,121,359. The carrying amount of these deposits as recorded in the financial statements is \$4,066,284. These deposits would be considered predominately uninsured and uncollateralized since the Water and Sewer System utilizes the same depositories as other City funds.

Deposits of the Tax Increment Finance Authority, without recognizing checks issued but not cashed or deposits in transit, totaled \$1,925 at June 30, 2004. The carrying amount of these deposits as recorded in the financial statements is \$1,425. Of this amount, the entire amount was covered by federal deposit insurance.

Deposits of the Building Authority, without recognizing checks issued but not cashed or deposits in transit, and including certificates of deposit in the amount of \$1,603,429, totaled \$2,901,131 at June 30, 2004. The carrying amount of these deposits as recorded in the financial statements is \$2,900,311. Of this amount, \$309,407 was covered by federal deposit insurance and \$2,591,724 was uninsured and uncollateralized.

Deposits of the Downtown Development Authority, without recognizing checks issued but not cashed or deposits in transit, totaled \$72,957 at November 30, 2003. The carrying amount of these deposits as recorded in the financial statements is \$30,406. Of this amount, the entire amount was covered by federal deposit insurance.

Due to the amount of cash deposits and the limits of FDIC insurance, the City has determined that it is impractical to insure all deposits. The Controller evaluates each financial institution used as a depository for City funds and assesses the level of risk of each institution.

Investments of the various funds of the City are categorized to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

All of the City's investments consist of short-term cash management funds, which are not categorized because they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Amount</u>	<u>Market Value</u>
General City (as of June 30, 2004):		
Short-term cash management funds	\$ 31,206,628	\$ 31,206,628
Water and Sewer System (as of December 31, 2003):		
Short-term cash management funds	21,698,987	21,698,987
Tax Increment Finance Authority (as of June 30, 2004):		
Short-term cash management funds	1,089,339	1,089,339
Building Authority (as of June 30, 2004):		
Short-term cash management funds	228,274	228,274
Downtown Development Authority (as of November 30, 2003):		
Short-term cash management funds	<u>32,633,691</u>	<u>32,633,691</u>
	<u>\$ 86,856,919</u>	<u>\$ 86,856,919</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**1. DEPOSITS AND INVESTMENTS (continued)**

Investment in the cash management funds complies with all applicable state and federal banking laws pertaining to acceptance and investment of surplus public funds. The funds invest in short-term, highly liquid investments such as bonds and other direct obligations of the United States or an agency or instrumentality of the United States, certificates of deposit, commercial paper, repurchase agreements, bankers' acceptances and other investments which may constitute a legal investment for Surplus Funds of Local Units under Michigan law. The cash management funds have maintained a value equivalent to \$1.00 per share.

Deposits and investments of the Pension Trust and VEBA Trust Funds are summarized as follows:

**City Employees' Retirement System:**

Cash balances, without recognizing checks issued but not cashed, at December 31, 2003, excluding impress funds, were \$23,786. The entire amount was covered by federal deposit insurance. The carrying amount of these deposits are recorded in the financial statements as follows:

Cash:	
Pension Payment Account	\$ 14,740
Cash equivalents:	
Pension Payment Cash Investment Account	<u>276,598</u>
Cash and cash equivalents:	
Pension Payment Account	<u>\$ 291,338</u>

The Board of Trustees of the Employees' Retirement System is authorized by Act No. 314 of the Public Acts of Michigan of 1965, as amended, to make investments in stocks, bonds, or other evidences of indebtedness, that in its judgment it may deem proper to purchase as an investment. The Employees' Retirement System Board of Trustees has contracted with independent investment firms to manage the system's investment portfolio.

As permitted under state statutes, the System is authorized to participate in securities lending transactions. The System entered into an agreement with Comerica Bank to lend its securities to broker-dealers and banks pursuant to the loan agreement.

During the fiscal year, Comerica Bank at the direction of the System lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to at least one hundred percent (100%) of the market value of the loaned securities.

The System did not impose any restrictions during the fiscal year on the amount of the loans that Comerica Bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. There were no losses to the System or Comerica Bank during the fiscal year resulting from default of the borrowers.

During the fiscal year, the System and the borrower maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in a pool. The average duration of such investment pool as of December 31, 2003 was 116 days. Because the loans could terminate on demand, their duration did not generally match the duration of the investments made with the cash collateral. The collateral held and the fair value of the underlying securities on loan for the System as of December 31, 2003 were \$11,401,344 and \$11,047,240 respectively.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**1. DEPOSITS AND INVESTMENTS (continued)**

Before the lending transactions and the investment of the cash collateral, the System's aggregate investments are as shown in the following table:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Money market funds	\$ 4,289,226	\$ 4,289,226
U.S. government bonds	11,339,679	11,954,627
U.S. government agency mortgage pools and collateralized mortgage obligations	5,246,917	5,355,384
Domestic corporate bonds	24,746,006	26,420,014
Corporate asset backed securities	3,547,917	3,780,178
Domestic equities	58,287,489	66,280,714
Foreign equities	960,308	1,265,552
	<u>\$ 108,417,542</u>	<u>\$ 119,345,695</u>

The following represents the balances relating to the securities lending transactions at December 31, 2003:

	<u>Fair Value of Underlying Securities</u>	<u>Collateral</u>
U.S. government agency mortgage pools and collateralized mortgage obligations	\$ 3,532,810	\$ 3,617,938
Domestic equities	7,514,430	7,783,406
	<u>\$ 11,047,240</u>	<u>\$ 11,401,344</u>

The investments of the Employees' Retirement System are categorized below to give an indication of the level of risk assumed by the System at December 31, 2003. Category 1 includes investments that are insured or registered, or securities held by the Retirement System or its agent in the Employees' Retirement System name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Employees' Retirement System name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Employees' Retirement System name. All of the following investments are included in Risk Category 3, with the exception of money market funds, U.S. government agency mortgage pools and collateralized mortgage obligations, corporate asset backed securities, and real estate investment trusts which are not categorized because they are not evidenced by securities that exist in physical or book entry form:

<u>Investments – Categorized</u>	<u>Fair Value</u>
U.S. government bonds	\$ 11,954,627
Domestic corporate bonds	26,420,014
Domestic equities	58,766,284
Foreign equities	1,265,552
Subtotal	98,406,477
<u>Investments – Not categorized</u>	
Investments held by broker-dealers under securities loans:	
U.S. government mortgage pools and collateralized mortgage obligations	3,532,810
Domestic equities	7,514,430
Securities lending short-term collateral investment pool	11,401,344
Money market funds	4,289,226
U.S. government mortgage pools and collateralized mortgage obligations	1,822,574
Corporate asset backed securities	3,780,178
Total	<u>\$ 130,747,039</u>

(Continued)



CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**1. DEPOSITS AND INVESTMENTS (continued)**

Police and Fire Retirement System:

The Police and Fire Retirement System is authorized by Michigan Public Act 485 of 1996 to invest in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances, mutual funds and investment pools that are composed of authorized investment vehicles, certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

At December 31, 2003, the Police and Fire Retirement System had a bank deposit balance of \$104,179 in the general account.

The Police and Fire Retirement System's investments are categorized below to give an indication of the level of risk assumed by the System at December 31, 2003. Category 1 includes investments that are insured or registered, or securities held by the Retirement System or its agent in the Police and Fire Retirement System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Police and Fire Retirement System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Police and Fire Retirement System's name.

All of the System's investments are included in Risk Category 3, with the exception of the short-term cash management funds, mutual funds, and real estate investment trusts which are not categorized because they are not evidenced by securities that exist in physical or book entry form. All external investment pools are registered with the SEC.

	<u>Market Value</u>
<u>Category 3</u>	
U.S. government obligations	\$ 16,483,085
U.S. government agencies' notes and debentures	24,316,699
Corporate and other bonds and securities	31,280,006
Equities	<u>166,374,921</u>
	238,454,711
<u>Non-categorized Investments</u>	
Securities lending short-term collateral bank investment pool	31,208,030
Short-term cash management funds	5,345,585
Distressed debt recovery fund	1,636,015
Equity mutual funds	7,761,134
Fixed income mutual funds	3,018,893
Real estate investment trusts	<u>8,254,795</u>
	<u>\$ 295,679,163</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**1. DEPOSITS AND INVESTMENTS (continued)**

City Employees' VEBA Trust:

The Board of Trustees of the Employees' VEBA Trust is authorized by Act No. 314 of the Public Acts of Michigan of 1965, as amended, to make investments in stocks, bonds, or other evidences of indebtedness, that in its judgment it may deem proper to purchase as an investment. The Board of Trustees has contracted with independent investment firms to manage the system's investment portfolio.

There were no outstanding deposits as of June 30, 2004.

The City Employees' VEBA trust investments are categorized below to give an indication of the level of risk assumed by the System at June 30, 2004. Category 1 includes investments that are insured or registered, or securities held by the Trust or its agent in the Trust's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the VEBA Trust's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the VEBA Trust's name.

All of the VEBA Trust's investments are included in Risk Category 3, with the exception of the short-term cash management funds, corporate asset backed securities and equity mutual funds which are not categorized because they are not evidenced by securities that exist in physical or book entry form:

	<u>Carrying Amount</u>	<u>Market Value</u>
<b><u>Category 3</u></b>		
U.S. government bonds	\$ 402,828	\$ 387,500
Corporate and other bonds and securities	<u>4,424,258</u>	<u>4,292,373</u>
	4,827,086	4,679,873
<b><u>Non-categorized Investments</u></b>		
Money market funds	3,146,182	3,146,182
Equity mutual funds	8,118,716	8,138,095
Corporate asset backed securities	<u>632,768</u>	<u>602,787</u>
	<u>\$ 16,724,752</u>	<u>\$ 16,566,937</u>

**2. RECEIVABLES**

**Delinquent tax receivables** represent uncollected personal property taxes. Delinquent taxes remain as a lien on the property until paid or stricken by the Macomb County Circuit Court. The allowance for uncollectible taxes is estimated at five percent of the original amount of delinquent personal property taxes for the tax years not yet stricken.

<u>Delinquent Taxes By Year</u>	<u>Total</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>
2003	\$ 756,688	\$ 602,027	\$ 154,661	\$ -
2002	600,194	475,798	114,779	9,617
2001	501,506	394,196	95,091	12,219
2000	369,379	284,157	67,101	18,121
1999	72,940	57,160	13,558	2,222
1998 and prior	<u>6,348</u>	<u>5,026</u>	<u>1,224</u>	<u>98</u>
	2,307,055	1,818,364	446,414	42,277
Less: Allowance for Uncollectible Taxes	( 189,486)	( 173,691)	( 11,928)	( 3,867)
	<u>\$ 2,117,569</u>	<u>\$ 1,644,673</u>	<u>\$ 434,486</u>	<u>\$ 38,410</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**2. RECEIVABLES (continued)**

Notes receivable consists primarily of loans made under the Community Development Block Grant's Home Loan Rehabilitation Program. This program assists low and very low-income residents to afford safe and sanitary housing, including limited improvements to the property. The largest portion of the \$5,256,322 notes outstanding at June 30, 2004 represents deferred and installment loans. Deferred loans are payable at the end of a set deferral period or upon change of home ownership, whichever comes first. Installment loans are payable through a series of monthly payments over a prescribed period of time, not to exceed twenty years. All loans are secured by a mortgage or equity interest lien. Annual interest rates range from 0% for deferred loans to 4% for installment basis loans.

Interfund receivables, payables and transfers. During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of the fiscal year end, balances are reported as "due to / due from other funds". All amounts represented are considered to be current obligations.

	Amount Receivable		Amount Payable
<u>Governmental Funds:</u>		<u>Governmental Funds:</u>	
General Fund:		General Fund:	
Due from other Governmental Funds:		Due to other Governmental Funds:	
Michigan Transportation Operating -		Michigan Transportation Construction	
Major Streets	\$ 645,033	- Series 2000	\$ 49,530
Local Streets	891,147	Due to Fiduciary Funds:	
Community Development Block Grant	17,790	Police and Fire Retirement System (2)	177,002
Downtown Development Authority (1)	384,484	City Employees' VEBA Trust	12,761
Tax Increment Finance Authority	8,220		<u>239,293</u>
Due from Proprietary Funds:		Michigan Transportation - Major Streets:	
Senior Citizen Housing Funds:		Due to Other Governmental Funds:	
Stilwell Manor	60,409	General Fund	645,033
Jos. Coach Manor	395,529		<u>645,033</u>
Water and Sewer System (2)	2,902,689	Michigan Transportation - Local Streets:	
Due from Fiduciary Funds:		Due to Other Governmental Funds:	
Fire Insurance Withholding	19	General Fund	891,147
City Employees' Retirement System (2)	103,296		<u>891,147</u>
Police and Fire Retirement System (2)	110,114	Community Development Block Grant:	
City Employees' VEBA Trust	3,546,072	Due to other Governmental Funds:	
	<u>9,064,802</u>	General Fund	17,790
Recreation:			<u>17,790</u>
Due from Proprietary Funds:		H.O.M.E.:	
Water and Sewer System (2)	81,000	Due to other Governmental Funds:	
	<u>81,000</u>	Community Development Block Grant	4,958
Community Development Block Grant:			<u>4,958</u>
Due from other Governmental Funds:		2003 Michigan Transportation Construction:	
H.O.M.E.	4,958	Due to Other Governmental Funds:	
	<u>4,958</u>	2000 MI Transportation Construction	477,084
Building Authority Debt Retirement Fund			<u>477,084</u>
- Series 2001		Downtown Development Authority (1):	
Due from other Governmental Funds:		Due to other Governmental Funds:	
Building Authority Construction		General Fund	273,462
-Series 2001	28,695		<u>273,462</u>
	<u>28,695</u>	Tax Increment Finance Authority:	
		Due to other Government Funds:	
		General Fund	8,220
			<u>8,220</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**2. RECEIVABLES (continued)**

	<u>Amount Receivable</u>		<u>Amount Payable</u>
<u>Governmental Funds (continued):</u>		<u>Governmental Funds (continued):</u>	
Building Authority Debt Retirement Fund		Building Authority Series 2001 Construction:	
- Series 2002:		Due to other Governmental Funds:	
Due from other Governmental Funds:		Building Authority Debt Retirement	
Building Authority Construction		- Series 2001	<u>28,695</u>
- Series 2002	<u>3,106</u>		<u>28,695</u>
	<u>3,106</u>	Building Authority Series 2002 Construction:	
2000 Michigan Transportation Construction:		Due to other Governmental Funds:	
Due from other Governmental Funds:		Building Authority Debt Retirement	
General Fund	49,530	- Series 2002	3,106
2003 MI Transportation Construction	<u>477,084</u>	Due to Proprietary Funds:	
	<u>526,614</u>	Water and Sewer System (2)	<u>877</u>
2003 Michigan Transportation Construction:			<u>3,983</u>
Due from Proprietary Funds:			
Water and Sewer System (2)	<u>115,056</u>		
	<u>115,056</u>		
Total Governmental Funds	<u>9,824,231</u>	Total Governmental Funds	<u>2,589,665</u>
<u>Proprietary Funds:</u>		<u>Proprietary Funds:</u>	
Water and Sewer System (2):		Water and Sewer System (2):	
Due from Governmental Funds:		Due to Governmental Funds:	
General Fund	8,855	General Fund	<u>1,172,501</u>
Building Authority, Series 2002	<u>877</u>		<u>1,172,501</u>
	<u>9,732</u>	Senior Citizen Housing – Stilwell Manor:	
Senior Citizen Housing – Stilwell Manor:		Due to Governmental Funds:	
Due from other Proprietary Funds:		General Fund	<u>60,409</u>
Senior Housing – Jos. Coach Manor	<u>462,170</u>		<u>60,409</u>
	<u>462,170</u>	Senior Housing – Jos. Coach Manor:	
		Due to Governmental Funds:	
		General Fund	395,529
		Due to other Proprietary Funds:	
		Senior Housing – Stilwell Manor	<u>462,170</u>
			<u>857,699</u>
Total Proprietary Funds	<u>471,902</u>	Total Proprietary Funds	<u>2,090,609</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**2. RECEIVABLES (continued)**

	Amount Receivable		Amount Payable
<u>Fiduciary Funds:</u>		<u>Fiduciary Funds:</u>	
Police and Fire Retirement System (2):		Police and Fire Retirement System (2):	
Due from Governmental Funds:		Due to Governmental Funds:	
General Fund	150,216	General Fund	99,845
	<u>150,216</u>		<u>99,845</u>
City Employees' Retirement System (2):		City Employees' Retirement System (2):	
Due from Governmental Funds:		Due to Governmental Funds:	
General Fund	274,011	General Fund	97,655
Due from Proprietary Funds:			<u>97,655</u>
Water and Sewer System (2)	116,014	City Employees' VEBA Trust:	
	<u>390,025</u>	Due to Governmental Funds:	
City Employees' VEBA Trust:		General Fund	3,546,072
Due from Governmental Funds:			<u>3,546,072</u>
General Fund	12,761	Fire Insurance Withholding Fund:	
	<u>12,761</u>	Due to Governmental Funds:	
		General Fund	19
			<u>19</u>
Total Fiduciary Funds	<u>553,002</u>	Total Fiduciary Funds	<u>3,743,591</u>
Total – due from other funds	10,849,135	Total – due to other funds	8,423,865
(1) Denotes fiscal year ending		(1) Denotes fiscal year ending	
November 30, 2003	273,462	November 30, 2003	384,484
(2) Denotes fiscal year ending		(2) Denotes fiscal year ending	
December 31, 2003	1,547,880	December 31, 2003	3,862,128
	<u>\$ 12,670,477</u>		<u>\$ 12,670,477</u>

Transfers from funds receiving revenues to funds through which the resources are to be expended are recorded as operating transfers and are reported as other financial sources (uses).

A summary of interfund transfers by fund type is as follows:

	TRANSFERS TO				
<u>TRANSFERS FROM:</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
General Fund	\$ -	\$ 159,933	\$ 1,031,926	\$ -	\$ 1,191,859
Special Revenue	3,515,788	1,602,500	3,078,590	2,293,388	10,490,266
Capital Projects	-	-	3,744,146	530,000	4,274,146
	<u>\$ 3,515,788</u>	<u>\$ 1,762,433</u>	<u>\$ 7,854,662</u>	<u>\$ 2,823,388</u>	<u>\$ 15,956,271</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Governmental activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 20,293,236	\$ 294,446	\$ -	\$ 20,587,682
Construction in progress	<u>2,397,799</u>	<u>1,728,742</u>	<u>-</u>	<u>4,126,541</u>
Total capital assets not being depreciated	<u>22,691,035</u>	<u>2,023,188</u>	<u>-</u>	<u>24,714,223</u>
Capital assets being depreciated:				
Infrastructure	113,786,482	-	-	113,786,482
Land Improvements	6,492,147	169,895	5,994	6,656,048
Buildings	43,322,511	731,384	-	44,053,895
Machinery and equipment	<u>28,215,288</u>	<u>1,925,620</u>	<u>2,055,253</u>	<u>28,085,655</u>
Total capital assets being depreciated	191,816,428	2,826,899	2,061,247	192,582,080
Less accumulated depreciation for:				
Infrastructure	( 87,918,808)	( 1,993,610)	( -)	( 89,912,418)
Land improvements	( 3,747,247)	( 253,424)	( 4,071)	( 3,996,600)
Buildings	( 11,938,943)	( 1,334,559)	( -)	( 13,273,502)
Machinery and equipment	<u>( 16,219,552)</u>	<u>( 2,179,510)</u>	<u>( 2,010,929)</u>	<u>( 16,388,133)</u>
Total accumulated depreciation	<u>(119,824,550)</u>	<u>( 5,761,103)</u>	<u>( 2,015,000)</u>	<u>(123,570,653)</u>
Total capital assets, being depreciated, net	<u>71,991,878</u>	<u>( 2,934,204)</u>	<u>46,247</u>	<u>69,011,427</u>
Governmental activities capital assets, net	<u>\$ 94,682,913</u>	<u>\$ ( 911,016)</u>	<u>\$ 46,247</u>	<u>\$ 93,725,650</u>
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 826,863	\$ -	\$ -	\$ 826,863
Construction in progress	<u>853,006</u>	<u>-</u>	<u>( 853,006)</u>	<u>-</u>
Total capital assets not being depreciated	<u>1,679,869</u>	<u>-</u>	<u>( 853,006)</u>	<u>826,863</u>
Capital assets being depreciated:				
Buildings	49,167,154	2,390,547	-	51,557,701
Utility system	105,911,130	802,942	26,944	106,687,128
Machinery and equipment	<u>11,566,100</u>	<u>224,757</u>	<u>-</u>	<u>11,790,857</u>
Total capital assets being depreciated	166,644,384	3,418,246	26,944	170,035,686
Less accumulated depreciation for:				
Buildings	( 16,881,299)	( 1,136,357)	-	( 18,017,656)
Utility system	( 39,986,388)	( 2,156,746)	( 26,944)	( 42,116,190)
Machinery and equipment	<u>( 8,931,189)</u>	<u>( 786,960)</u>	<u>-</u>	<u>( 9,718,149)</u>
Total accumulated depreciation	<u>( 65,798,876)</u>	<u>( 4,080,063)</u>	<u>( 26,944)</u>	<u>( 69,851,995)</u>
Total capital assets, being depreciated, net	<u>100,845,508</u>	<u>( 661,817)</u>	<u>-</u>	<u>100,183,691</u>
Business-type activities capital assets, net	<u>\$ 102,525,377</u>	<u>\$ ( 661,817)</u>	<u>\$ ( 853,006)</u>	<u>\$ 101,010,554</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**3. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions / programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 172,269
Public safety	1,147,626
City development	76,227
Highways and streets	2,227,165
Recreation and culture	1,890,967
Sanitation	243,370
Economic development	3,259
Community development	<u>220</u>
Total depreciation expense – governmental activities	<u>\$ 5,761,103</u>
<b>Business-type activities:</b>	
Water and sewer system	\$ 3,660,788
Senior citizen housing	<u>419,275</u>
Total depreciation expense – business-type activities	<u>\$ 4,080,063</u>

**4. LEASES**

**Capital Leases**

Characteristics of capital leases generally transfer the benefits and risks of ownership to the lessee. As such, equipment under capital lease agreements is capitalized at the present value of future minimum lease payments as of the inception date. No capital lease agreements were outstanding during the fiscal year ending June 30, 2004.

**Operating Leases**

Operating leases do not give rise to property rights and accordingly the equipment is not capitalized. No operating lease agreements were outstanding during the fiscal year ending June 30, 2004.

**5. LONG-TERM DEBT**

**Installment Purchase Agreements** have been executed with local financial institutions in order to finance various capital asset acquisitions. The loans are secured by the assets acquired under such agreements, and in addition the City has pledged its full faith and credit. The governmental activities installment purchase agreements have aggregate principal maturities ranging from \$78,209 to \$245,803 a year, and are due serially through fiscal year 2007 with annual interest rates ranging from 5.95% to 6.3119%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Honeywell Energy System (Police)	02/01/05	\$ 1,197,456	\$ 1,092,656	\$ 104,800	\$ 104,800
Honeywell Energy System (City Hall)	12/20/06	<u>1,197,260</u>	<u>828,424</u>	<u>368,836</u>	<u>141,002</u>
		<u>\$ 2,394,716</u>	<u>\$ 1,921,080</u>	<u>\$ 473,636</u>	<u>\$ 245,802</u>

A **Land Contract** was executed between the City and the City of Warren Water and Sewer System for the acquisition of a garage facility to be utilized by the Department of Public Works. The property was acquired at a cost of \$1,206,976. The land contract has principal maturities ranging from \$53,649 to \$102,656 a year, and is due through fiscal year 2013 at an annual interest rate of 6.00%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
DPW Garage	07/01/12	\$ 1,206,976	\$ 479,438	\$ 727,538	\$ 67,867
		<u>\$ 1,206,976</u>	<u>\$ 479,438</u>	<u>\$ 727,538</u>	<u>\$ 67,867</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**5. LONG-TERM DEBT (continued)**

**Michigan Transportation Bonds** are comprised of various bond issues that pledge state-collected gas and weight tax receipts returned to the City. The full faith and credit of the City is pledged as additional security. These bond issues have aggregate principal maturities ranging from \$500,000 to \$1,545,000 a year, and are due serially through fiscal year 2018 with annual interest rates ranging from 2.000% to 5.100%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Series 1991	deceased	\$ 4,400,000	\$ 4,400,000	\$ -	\$ -
Series 1993	deceased	5,840,000	5,840,000	-	-
Series 1997	06/01/12	4,500,000	1,685,000	2,815,000	290,000
Series 2000	06/01/16	5,165,000	300,000	4,865,000	100,000
Series 2003 refunding	06/01/08	4,310,000	1,085,000	3,225,000	1,055,000
Series 2003	06/01/18	5,500,000	100,000	5,400,000	100,000
		<u>\$ 29,715,000</u>	<u>\$ 13,410,000</u>	<u>\$ 16,305,000</u>	<u>\$ 1,545,000</u>

**Water and Sewer Bonds** are comprised of bonds issued to fund major infrastructure replacement projects and are payable solely from the net revenues of the Water and Sewer System. The bond issues have principal maturities ranging from \$724,512 to \$2,587,722 a year and are due serially through fiscal year 2026 with annual interest rates ranging from 2.25% to 5.60%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities (1):</b>					
<b>Revenue Bonds:</b>					
Series 1996	11/01/04	\$ 4,000,000	\$ 3,945,000	\$ 55,000	\$ 55,000
Refunding Series 1999	05/01/16	12,000,000	455,000	11,545,000	200,000
Series 1999	11/01/26	11,400,000	-	11,400,000	-
Series 2000	11/01/21	13,750,000	775,000	12,975,000	425,000
<b>Capital Improvement Bonds:</b>					
Series 2003	06/01/23	1,280,543	-	1,280,543	44,512
Series 2003A	10/01/24	537,473	-	537,473	-
		<u>\$ 42,968,016</u>	<u>\$ 5,175,000</u>	<u>\$ 37,793,016</u>	<u>\$ 724,512</u>

(1) For fiscal year ended December 31, 2003

(Continued)



## CITY OF WARREN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

## C. DETAILED NOTES ON ALL FUNDS

## 5. LONG-TERM DEBT (continued)

**County Drain Bonds** are comprised of various bond issues for which the City is required by State Statute to levy sufficient taxes to pay assessment installments and interest as they become due. These installments have aggregate maturities ranging from \$220,000 to \$660,000 a year, and are due serially through fiscal year 2007, with annual interest rates of 4.45%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Warren Sanitary Drain Refunding Issue	01/01/07	\$ 4,750,000	\$ 3,310,000	\$ 1,440,000	\$ 560,000
		<u>\$ 4,750,000</u>	<u>\$ 3,310,000</u>	<u>\$ 1,440,000</u>	<u>\$ 560,000</u>

**Tax Increment Finance Authority Bonds** are comprised of bonds issued to finance part of the cost of constructing various improvements in the Development Area No. 1 of the City of Warren Tax Increment Finance Authority, pursuant to the Tax Increment Financing and Development Plan adopted by the Board of the Authority on December 18, 1990 and approved by the City Council on February 12, 1990. The bond principal and interest are payable from Tax Increment revenues payable to the Authority from collections of ad valorem taxes commencing July 1, 1991. As additional security the City has pledged its full faith and credit for the prompt payment of principal and interest on the bonds when due. The Tax Increment Finance Authority bonds have principal maturities ranging from \$160,000 to \$250,000 a year, and are due serially through fiscal year 2011, with annual interest rates ranging from 4.00% to 5.00%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Series 1991	10/01/10	\$ 2,200,000	\$ 1,720,000	\$ 480,000	\$ -
Refunding Series 1997	10/01/08	<u>1,390,000</u>	<u>560,000</u>	<u>830,000</u>	<u>160,000</u>
		<u>\$ 3,590,000</u>	<u>\$ 2,280,000</u>	<u>\$ 1,310,000</u>	<u>\$ 160,000</u>

**Building Authority Bonds** are comprised of bonds issued to finance various construction projects and equipment acquisitions. For the Water Garage Bonds-Series 1989, Water Garage Refunding Bonds-Series 1996, Multiple Purpose Bonds-Series 1997, Warren Community Center Bonds-Series 2001 and the Multiple Purpose Bonds-Series 2002, the City and Water and Sewer System have entered into lease agreements with the Building Authority and agrees to pay as cash rentals amounts that will be sufficient to enable the Building Authority to pay principal and interest on the bonds as they become due. The City has pledged its full faith and credit for the payment of these rentals. For the Senior Housing Refunding Bonds-Series 1996, principal and interest payments are to be paid from cash flows generated by monthly rental unit receipts. In addition, the City has pledged its full faith and credit for the payment of these principal and interest payments as they become due. The Multiple Purpose Bonds-Series 1997, Warren Community Center Bonds-Series 2001 and Multiple Purpose Bonds-Series 2002 have aggregate principal maturities ranging from \$400,000 to \$1,272,119 a year, and are due serially through fiscal year ended June 30, 2027 with annual interest rates ranging from 3.00% to 5.25%. The Senior Housing Refunding Bonds-Series 1996 has principal maturities ranging from \$95,000 to \$1,110,000 a year, and are due serially through the fiscal year ended June 30, 2018 with annual interest rates ranging from 5.375% to 5.50%. The Water Garage Bonds-Series 1989, Water Garage Refunding Bonds-Series 1996 and Multiple Purpose Bonds-Series 1997 and Series 2002 have aggregate principal maturities ranging from \$42,605 to \$962,881 a year, and are due serially through fiscal year ended December 31, 2009 with annual interest rates ranging from 3.00% to 5.375%.

(Continued)

## CITY OF WARREN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

## C. DETAILED NOTES ON ALL FUNDS

## 5. LONG-TERM DEBT (continued)

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Series 1997, Multi-purpose	08/01/04	\$ 3,750,000	\$ 3,166,667	\$ 583,333	\$ 583,333
Series 2001, Community Center	11/01/26	13,000,000	600,000	12,400,000	300,000
Series 2002, Multi-purpose	11/01/09	2,858,720	365,916	2,492,804	388,786
<b>Business-type activities:</b>					
Senior Housing -					
Refunding Series 1996	11/01/17	9,515,000	665,000	8,850,000	95,000
Water and Sewer System (1)-					
Series 1989	05/01/04	4,500,000	4,015,000	485,000	485,000
Refunding Series 1996	11/01/04	1,595,000	1,270,000	325,000	325,000
Series 1997, Multi-purpose	08/01/04	750,000	633,333	116,667	116,667
Series 2002, Multi-purpose	11/01/09	266,280	34,084	232,196	36,214
		<u>\$ 36,235,000</u>	<u>\$ 10,750,000</u>	<u>\$ 25,485,000</u>	<u>\$ 2,330,000</u>

(1) For fiscal year ended December 31, 2003.

**Special Assessment Bonds** are comprised of bonds issued to finance various sidewalk and drive approach improvements in designated special assessment districts throughout the City. The payment of principal and interest on the bonds shall be payable primarily from the collection of special assessments levied against those properties improved within each district. Assessments can be paid in full or in installments due July 1 of each year, together with interest on the unpaid balance of the assessment at an annual rate that is 1% per annum in excess of the average rate of the interest payable on the bonds. In addition, the full faith and credit of the City are pledged to the payment of the principal and interest on the bonds when due. The bonds have aggregate maturities ranging from \$679,460 to \$711,779 a year, and are due serially through fiscal year 2008 with annual interest rates ranging from 2.00% to 2.50%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Special Assessment Bonds -					
Series 2002	12/01/07	\$ 1,145,000	\$ 240,000	\$ 905,000	\$ 240,000
Series 2003	06/01/08	2,304,457	435,488	1,868,969	444,561
		<u>\$ 3,449,457</u>	<u>\$ 675,488</u>	<u>\$ 2,773,969</u>	<u>\$ 684,561</u>

**Downtown Development Authority Bonds** are comprised of bonds issued pursuant to Act 197, Public Acts of Michigan, 1975, as amended, in anticipation of the collection of certain tax increment revenue payments for the purpose of paying costs of development and redevelopment of all or a portion of the downtown district as specified in the Authority's development and tax increment financing plan. In addition, the City has pledged its full faith and credit as additional security for payment of the principal and interest when due. In order to achieve the desired development and redevelopment objectives as described in the plan, the City has authorized the issuance of Downtown Development Bonds in four series not to exceed \$75,000,000 in total. The bonds have aggregate maturities ranging from \$500,000 to \$3,000,000 a year, and are due serially through fiscal year 2026 with annual interest rates ranging from 3.25% to 5.000%.

	<u>Final Maturity Date</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Downtown Development Bonds -					
Series 2002	10/01/25	\$ 20,000,000	\$ -	\$ 20,000,000	\$ -
Series 2003	10/01/26	20,000,000	-	20,000,000	-
		<u>\$ 40,000,000</u>	<u>\$ -</u>	<u>\$ 40,000,000</u>	<u>\$ -</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**5. LONG-TERM DEBT (continued)**

Annual debt service requirements to maturity for the above long-term debt obligations are as follows:

Year Ended June 30	Governmental activities		Business-type activities (Senior Citizen Housing)	
	Principal	Interest	Principal	Interest
2005	\$ 4,535,350	\$ 1,573,905	\$ 95,000	\$ 475,776
2006	3,983,581	1,430,931	480,000	460,322
2007	3,418,029	1,296,608	475,000	434,657
2008	3,107,153	1,177,840	480,000	408,991
2009	2,315,498	1,068,365	570,000	380,773
2010 - 2014	9,546,670	3,935,748	3,365,000	1,413,797
2015 - 2019	5,675,000	2,166,081	3,385,000	307,330
2020 - 2024	3,425,000	1,113,322	-	-
2025 - 2027	2,500,000	199,300	-	-
	<u>\$ 38,506,281</u>	<u>\$ 13,962,100</u>	<u>\$ 8,850,000</u>	<u>\$ 3,881,646</u>

Year Ended November 30	Governmental activities (Downtown Development Authority)	
	Principal	Interest
2004	\$ -	\$ 1,730,375
2005	-	1,730,375
2006	500,000	1,730,375
2007	1,000,000	1,712,250
2008	1,000,000	1,678,500
2009 - 2013	5,250,000	7,858,125
2014 - 2018	10,000,000	6,512,500
2019 - 2023	14,750,000	3,730,625
2024 - 2026	7,500,000	607,500
	<u>\$ 40,000,000</u>	<u>\$ 27,290,625</u>

Year Ended December 31	Business-type activities (Water and Sewer System)	
	Principal	Interest
2004	\$ 1,687,393	\$ 1,855,086
2005	1,332,587	1,732,424
2006	1,446,674	1,674,027
2007	1,513,631	1,610,584
2008	1,578,644	1,544,218
2009 - 2013	9,029,243	6,593,036
2014 - 2018	10,583,046	4,390,613
2019 - 2023	8,746,715	1,908,618
2024 - 2026	3,033,946	315,848
	<u>\$ 38,951,879</u>	<u>\$ 21,624,454</u>
	<u>\$ 78,506,281</u>	<u>\$ 41,252,725</u>
	<u>\$ 47,801,879</u>	<u>\$ 25,706,100</u>

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**6. COMPENSATED ABSENCES AND COMPENSATORY TIME**

All full-time employees of the City earn one sick leave day for each month of service rendered. Employees are allowed to accumulate from 27 days to 225 days depending upon their hire date, union affiliation and pension plan participation. Upon retirement, most employees are paid eighty percent of their accumulated sick bank. Firefighters who work 56 hours per week and were hired prior to January 1, 1984, are paid sixty percent of their accumulated sick bank. If an employee dies while in the service of the City, the beneficiary is paid one hundred percent of the accumulated sick bank. An employee is paid twenty-five percent of the accumulated sick bank upon severance from the City in good standing after five years of service.

Compensated absences is accrued at the employee's current rate of pay and applicable retirement payout percentage, inclusive of related payroll taxes and fringes, on sick bank balances accumulated as of December 31, 2003.

Maximum Sick-Leave Banks

<u>Bargaining Unit</u>	<u>Pay-Out Base</u>	<u>Hire Date</u>
AFSCME Local 1250	225 days	Prior to March 7, 1984
	140 days	From March 7, 1984 to February 9, 1988
	65 days	After February 9, 1988
	27 days	After November 23, 1999
AFSCME Local 1250: 37th District Court	225 days	Prior to May 10, 1988
	65 days	After May 10, 1988
	27 days	After November 23, 1999
AFSCME Local 1917	225 days	Prior to March 7, 1984
	140 days	From March 7, 1984 to February 9, 1988
	65 days	After February 9, 1988
	27 days	After January 11, 2000
UAW Local 412 - Unit 35	225 days	Prior to March 7, 1984
	140 days	From March 7, 1984 to September 1, 1988
	65 days	After September 1, 1988
	27 days	After April 13, 1999
UAW Local 412 - Unit 59	225 days	Prior to March 7, 1984
	140 days	From March 7, 1984 to February 9, 1988
	65 days	After February 9, 1988
	27 days	After November 10, 1998
Fire Fighters Local 1383:		
	56 hour employees	120 days
	56 hour employees	65 days
	40 hour employees	225 days
40 hour employees	140 days	Prior to December 15, 1986
		After December 15, 1986
Police Officers	225 days	Prior to January 1, 1984
	140 days	After January 1, 1984

Employees are allowed to receive pay for overtime worked or accumulate hours in their compensatory time bank. Generally, no more than 150 hours may be accumulated in an employee's compensatory time bank. Employees are allowed the option of receiving cash payment or time off for those hours accumulated.

Compensatory time is accrued at the employee's current rate of pay, inclusive of related payroll taxes and benefits, on accumulated compensatory time balances as of December 31, 2003.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS**

**6. COMPENSATED ABSENCES AND COMPENSATORY TIME (continued)**

Changes in accrued compensated absences and compensatory time by activity and function is as follows:

	Compensated Absences			Compensatory Time		
	Beginning Balance	Additions (Reductions)	Ending Balance	Beginning Balance	Additions (Reductions)	Ending Balance
<b>Governmental activities:</b>						
General government	\$ 1,468,099	\$ ( 7,694)	\$ 1,460,405	\$ 218,552	\$ 22,720	\$ 241,272
Public safety	11,389,757	1,074,166	12,463,923	1,606,067	186,689	1,792,756
City development	661,624	( 1,036)	660,588	99,723	18,719	118,442
Highways and streets	400,986	4,160	405,146	57,125	7,953	65,078
Recreation and culture	435,995	7,966	443,961	60,322	28,221	88,543
Sanitation	133,484	7,213	140,697	45,365	5,883	51,248
Economic development	3,347	1,560	4,907	-	6,375	6,375
Community development	20,578	( 1,554)	19,024	1,930	1,168	3,098
	<u>14,513,870</u>	<u>1,084,781</u>	<u>15,598,651</u>	<u>2,089,084</u>	<u>277,728</u>	<u>2,366,812</u>
<b>Business-type activities:</b>						
Water and Sewer System	1,263,193	49,383	1,312,576	125,406	( 14,188)	111,218
Senior Citizen Housing	20,359	( 265)	20,094	9,509	281	9,790
	<u>1,283,552</u>	<u>49,118</u>	<u>1,332,670</u>	<u>134,915</u>	<u>( 13,907)</u>	<u>121,008</u>
	<u>\$ 15,797,422</u>	<u>\$ 1,133,899</u>	<u>\$ 16,931,321</u>	<u>\$ 2,223,999</u>	<u>\$ 263,821</u>	<u>\$ 2,487,820</u>

**7. CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Michigan Transportation Bonds	\$ 12,180,000	\$ 9,810,000	\$ 5,685,000	\$ 16,305,000	\$ 1,545,000
County Drain Bonds	2,005,000	-	565,000	1,440,000	560,000
Building Authority Bonds	16,725,387	-	1,249,250	15,476,137	1,272,119
T.I.F.A. Bonds	1,465,000	-	155,000	1,310,000	160,000
Special Assessment Bonds	1,145,000	2,304,457	675,488	2,773,969	684,561
D.D.A. Bonds	20,000,000	20,000,000	-	40,000,000	-
Installment Purchase Agreements	755,693	-	282,057	473,636	245,802
Land Contract Payable	791,510	-	63,972	727,538	67,867
Accrued insurance claims	9,780,596	-	1,621,937	8,158,659	-
Compensated absences	14,513,870	1,084,781	-	15,598,651	-
Compensatory time	2,089,084	277,728	-	2,366,812	-
Governmental activity long-term liabilities	<u>\$ 81,451,140</u>	<u>\$ 33,476,966</u>	<u>\$ 10,297,704</u>	<u>\$ 104,630,402</u>	<u>\$ 4,535,349</u>
<b>Business-type activities:</b>					
Water and Sewer Bonds	\$ 36,620,000	1,818,016	645,000	37,793,016	724,512
Building Authority Bonds	11,024,613	-	1,015,750	10,008,863	1,057,881
Compensated absences	1,283,552	49,118	-	1,332,670	-
Compensatory time	134,915	-	13,907	121,008	-
Business-type activity long-term liabilities	<u>\$ 49,063,080</u>	<u>\$ 1,867,134</u>	<u>\$ 1,674,657</u>	<u>\$ 49,255,557</u>	<u>\$ 1,782,393</u>

(Continued)

## CITY OF WARREN, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

## C. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

## 8. DEBT EXTINGUISHMENTS

On February 9, 1999, the City sold \$12,000,000 of Water and Sewer System Revenue Refunding Bonds. The purpose of this issue was to defease \$7,470,000 of Water and Sewer System Revenue Bonds – Series 1994 and \$3,635,000 of Water and Sewer System Revenue Bonds – Series 1996. All issuance costs were paid directly from the bond proceeds. The economic impact of this advanced refunding resulted in present value savings to the City of \$382,987. Funds have been placed in an escrow account and have been invested in securities of the United States Government and its agencies. The maturities of these investments coincide with the principal and interest payment dates of the extinguished debt and are sufficient to pay all principal, interest and call premiums when due.

	<u>Principal Defeased on February 9, 1999</u>	<u>Outstanding Principal at December 31, 2002</u>
Water and Sewer System Revenue Bonds - Series 1994 (1)	\$ 7,470,000	\$ 7,470,000
Water and Sewer System Revenue Bonds - Series 1996 (1)	<u>3,635,000</u>	<u>3,635,000</u>
	<u>\$ 11,105,000</u>	<u>\$ 11,105,000</u>

(1) For fiscal year ended December 31, 2003

On October 17, 2002, the Warren City Council approved the City's participation in a settlement agreement between South Macomb Disposal Authority, of which the City is a member thereof, and the Authority's insurance carriers regarding remediation and response costs associated with the Authority's disposal facilities known as Sites 9 and 9A. As a result of this settlement, the Authority placed sufficient funds in escrow to defease \$20,000,000 of South Macomb Disposal Authority Revenue Bonds, Series 2000. This defeasance effectively eliminated \$7,644,000 of the City's debt to the Authority relative to this bond issue.

	<u>Principal Defeased on October 17, 2002</u>	<u>Outstanding Principal at June 30, 2004</u>
South Macomb Disposal Authority - Solid Waste Bonds, Series 2000	\$ 7,644,000	\$ 7,644,000

On August 19, 2003, the City sold \$4,310,000 of Michigan Transportation Fund Refunding Bonds, Series 2003. The purpose of the issue was to defease \$1,250,000 and \$2,875,000 of Michigan Transportation Fund Bonds, Series 1991 and Series 1993, respectively. All issuance costs were paid directly from the bond proceeds. The economic impact of this advanced refunding resulted in a present value saving to the City of \$122,256. Funds were placed in an escrow account and invested in securities of the United States Government and its agencies. The maturities of these investments coincided with the call date of December 1, 2003 of the extinguished debt and were sufficient to pay all principal and interest due.

	<u>Principal Defeased on August 19, 2003</u>	<u>Outstanding Principal at June 30, 2004</u>
Michigan Transportation Fund Bonds, Series 1991	\$ 1,250,000	\$ -
Michigan Transportation Fund Bonds, Series 1993	2,875,000	-

## 9. LEGAL DEBT MARGIN

Section 8.11 of the City of Warren Charter limits the net bonded indebtedness incurred for all public purposes to ten percent of the assessed value of all the real and personal property in the City. In computing such net bonded indebtedness, money borrowed under the provisions of special assessment bonds, revenue bonds, mortgage bonds, Michigan transportation bonds, calamity bonds, and tax anticipation notes are excluded. In addition, resources of the debt service fund pledged for the retirement of any outstanding bonds is deducted from the amount of bonded indebtedness. At June 30, 2004, the legal debt limit exceeded net bonded indebtedness by \$545,303,534.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**10. DEFERRED REVENUE**

Deferred revenues reported in the Community Development Block Grant Fund, HOME Investment Partnership Fund and the Special Assessment Construction Funds represents receivables that are measurable but not yet available under the modified accrual basis of accounting. Accordingly, they are not recorded as revenue. The balance sheet records the receivable but includes deferred revenue as its offset. Deferred revenues as reported in all other funds represent receipt of funds prior to rendering any service. A summary of deferred revenues is as follows:

<u>Governmental Activities:</u>	<u>Revenue</u>	<u>Amount</u>
General Fund	Grant	\$ 122,787
Special Revenue Funds:		
Community Development Block Grant	Grant / Loans	6,793,136
HOME Investment Partnership	Grant	1,318,545
Capital Projects Funds:		
Special Assessment Construction Funds	Special assessments	<u>1,852,492</u>
		<u>\$ 10,086,960</u>
<u>Business-type Activities:</u>		
Senior Citizen Housing	Prepaid rents	<u>26,880</u>
		<u>\$ 26,880</u>

**D. OTHER INFORMATION**

**1. POST-EMPLOYMENT HEALTH BENEFITS**

The City's post-employment health and dental benefits are administered under a combination of premium based, self-insurance, and/or Medicare coverage plans. The City provides 100 percent of the cost of health insurance and either 50 percent or 100 percent of dental coverage dependent upon the coverage selected. In general, if a retiree or members of his immediate family are entitled to retirement benefits under the City Employees Retirement System or the Police and Fire Retirement System then they are entitled to the post-retirement health and dental insurance benefits.

**General Retirement Health, Life and Disability Benefits Plan and Trust:**

*Plan Description.* Established by City Ordinance and collective bargaining agreements, the City of Warren General Employees' Retirement System is the administrator of a single-employer public employee' Voluntary Employee Benefit Association (VEBA) Trust.

The Trust is created for the exclusive purpose of providing funding for health, life and disability benefits for those retirees and beneficiaries eligible to receive such retirement benefits under the City of Warren General Employees Retirement System and Defined Contribution Plan. At December 31, 2001, the most recent valuation date, the plan consisted of 538 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 504 active employees.

*Summary of Significant Accounting Policies.* The financial statements of the Trust are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Retiree health, life and disability benefits are recognized in the period incurred.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

The assets of the Trust include no loans to any participants or officers of the Trust, City officials or any other related party.

*Funding Policy.* Contributions to the plan represent 18.41% of payroll for active members of the City Employees' Defined Benefit Plan and Defined Contribution Plan, in accordance with the actuarial valuation of December 31, 1997 using the individual entry age actuarial cost method. Actuarial assumptions used in calculating the contribution rate include 1.) investment return of 7.5% per year, 2.) inflation rate of 5.0% and 3.) salary increases of 5.0%. For the fiscal year ended June 30, 2004 contributions to the plan totaled \$5,363,770 and post-employment health benefits totaled \$5,646,170.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

D. OTHER INFORMATION

1. POST-EMPLOYMENT HEALTH BENEFITS (continued)

**Police and Fire Retirees:**

Police and Fire Retiree post-employment health benefits are currently funded on a pay-as-you go basis. For the fiscal year ended June 30, 2004, post-employment health benefits totaled \$4,766,931.

2. PENSION PLANS

The City has two separate defined benefit single employer pension plans and a defined contribution pension plan covering substantially all full-time employees.

**Employees' Retirement System Defined Benefit Plan:**

*Plan Description.* Established under General City Ordinance on January 1, 1958, the City of Warren Employees' Retirement System is the administrator of a single-employer public employees' retirement system that covers all full time employees, except police and fire personnel.

The System provides retirement, disability and death benefits to plan members and their beneficiaries. The obligation to contribute to and maintain the System for these employees was established by City ordinance and negotiation with the various collective bargaining units. At December 31, 2003, membership consisted of 531 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 280 current active employees.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the City of Warren Employees' Retirement System, 29500 Van Dyke, Warren, Michigan 48093.

*Summary of Significant Accounting Policies.* The financial statements of the Employees' Retirement System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Pension benefits and refund of contributions are recognized in the period such payments are made.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

The assets of the Employees' Retirement System include no loans to any participants or officers of the System, City officials or any other related party.

*Funding Policy.* The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an Aggregate actuarial funding method. Employer contributions represented 23.30% of covered payroll for the period of January 1, 2003 through June 30, 2003 in accordance with the actuarial valuation dated December 31, 2000 and 28.56% of covered payroll for the period of July 1, 2003 through December 31, 2003 in accordance with the actuarial valuation dated December 31, 2001. Employees are not required to contribute to the System. Amounts shown as employee contributions represent purchase of prior service credit. Administrative costs are financed through investment earnings.

(Continued)



CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**D. OTHER INFORMATION**

**2. PENSION PLANS (continued)**

*Reserves.* A description of each legally required reserve and its fully funded balance at December 31, 2003 is as follows:

<u>Reserve for Employees' Contribution:</u>	\$ 665,561
---	------------

Composed of accumulated contributions by active employees plus interest thereon.

<u>Reserve for Employer's Contribution:</u>	\$ 1,862,607
---	--------------

Composed of accumulated City contributions, net of amounts transferred for the payment of pensions to the Reserve for Retirees' Benefit Payments plus interest thereon.

<u>Reserve for Retirees' Benefit Payments:</u>	\$ 113,171,195
--	----------------

Actuarially determined to provide sufficient resources for annuity payments. Upon retirement of an employee, expected future benefit payments are computed and transfers are then made into this reserve from the Reserve for Employees' Contribution and Employer's Contribution. This account is credited annually with interest from the Reserve for Undistributed Income.

<u>Reserve for Undistributed Income:</u>	\$ 4,791,090
--	--------------

Composed of net investment income less expenditure for other services and charges, and interest transferred to the Reserves for Employees' Contribution, Employer's Contribution and Retirees' Benefit Payments.

*Investment Concentrations.* At December 31, 2003, there were no investments in any one organization (other than the U.S. government) in excess of 5 percent of net assets available for benefits.

Historical trend information showing the plan's progress in accumulating sufficient assets to pay benefits when due is presented as required supplementary information. The City has made all actuarially required contributions, and there is no net pension obligation.

**Police and Fire Retirement System Defined Benefit Plan:**

*Plan Description.* The Police and Fire Retirement System is the administrator of a single-employer public employees' retirement system that covers substantially all police and fire employees of the City.

The System provides retirement, disability and death benefits to plan members and their beneficiaries. The obligation to contribute to and maintain the System for these employees was established by City ordinance and negotiation with the police and fire collective bargaining units. At December 31, 2002, the date of the most recent actuarial evaluation, membership consisted of 375 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 414 current active employees.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the City of Warren Police and Fire Retirement System, 23295 Schoenherr, Warren, Michigan 48089.

*Summary of Significant Accounting Policies.* The System's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**D. OTHER INFORMATION**

**2. PENSION PLANS (continued)**

*Funding Policy.* The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are intended to accumulate sufficient assets to pay pension benefits when due.

Police and Fire employment contracts provide for direct employee pension contributions of 1.0 percent of payroll for all police and fire employees hired prior to July 1, 2000 and 5.0 percent of payroll for all police employees hired after July 1, 2000. In addition, the agreements provide that current City contributions of 4.0 percent of payroll be made on behalf of all police and fire employees hired prior to July 1, 2000. Under the terms of the contracts, these employer contributions made on behalf of the employees are effectively treated as direct employee contributions and are, therefore, recorded in the reserved net asset balance for the employee contributions.

Administrative costs of the plan are financed through investment earnings.

*Reserves.* As of December 31, 2003, the System's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 18,062,422
Reserve for retired benefit payments	140,715,874

*Investment Concentrations.* At December 31, 2003, there were no investments in any one organization (other than the U.S. government) in excess of 5 percent of net assets available for benefits.

**Defined Contribution Plan and Trust**

*Plan Description.* The Defined Contribution Plan and Trust was approved by the Warren City Council at their meeting of April 8, 1997. The plan is administered by the International City Management Association Retirement Corporation (ICMA). Participation in the plan is extended to all full time employees, other than police and fire personnel. Employees were allowed to transfer the actuarially determined value of prior service credit from the City Employees' Retirement System to the Defined Contribution Plan upon adoption of the plan and settlement of respective collective bargaining agreements. Employees hired after ratification of the respective collective bargaining agreements are automatically enrolled in the Defined Contribution Plan. There were 196 active participants in the plan as of June 30, 2004.

*Funding Policy.* For employees transferring from the Defined Benefit Pension Plan to the Defined Contribution Plan, the City contributes 15.0% of payroll and the employee contributes 3.0%. For employees hired after ratification of their respective union contracts, the City contributes 10.0% of payroll and the employee contributes 4.0%.

**3. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

In accordance with the provision of IRC Section 457, subsection (g), plan assets are held for the exclusive benefit of employees in a trust or qualifying insurance contract in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

The City's primary responsibility is to process employee payroll withholdings and remits the withheld funds to the plan administrators. The City does not perform any investing function. Accordingly, due to the absence of fiduciary responsibility with respect to these funds, deferred compensation plan assets are not reported in the accompanying financial statements.

**4. PROPERTY TAXES**

Property taxes are levied each July 1 on the taxable value of property located in the City as of the preceding December 31. The taxable value and state equalized value of real and personal property, including Industrial Facilities Valuations, as assessed on January 1 and revised by Board of Review, State Tax Commission or Michigan Tax Tribunal adjustments is as follows:

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**D. OTHER INFORMATION**

**4. PROPERTY TAXES (continued)**

	<u>Taxable Value</u>		<u>State Equalized Value</u>	
Real Property	\$3,361,192,100	74.95%	\$4,328,352,870	79.38%
Personal Property	785,694,630	17.52	785,694,630	14.41
Industrial Facilities	337,515,534	7.53	338,987,843	6.21
	<u>\$4,484,402,264</u>	<u>100.00%</u>	<u>\$5,453,035,343</u>	<u>100.00%</u>

On November 7, 1978, Article 9, Section 6, of the 1963 Michigan Constitution was amended placing certain limitations on increases of taxes. The amendment did not, and will not, limit the levy of taxes for the payment of principal and interest on bonds or other evidences of indebtedness outstanding at the time the amendment became effective; nor will the amendment limit taxes imposed for the payment of bonds or other indebtedness issued, or incurred, after their effective date if said bonds, or other indebtedness have been approved by the voter.

On March 15, 1994, Michigan voters passed Proposal A which places a limit on the value used to compute property taxes. Effective with the July 1, 1995 levy, property taxes are calculated using a Taxable Value. The Taxable Value is the lower of the 2003 State Equalized Value or the 2003 Capped Value. The State Equalized Value is the Assessed Value (representing fifty percent of the true cash value) multiplied by the Equalization Factor (currently equal to 1.000). The Capped Value is calculated by using the 2002 Taxable Value minus losses times the lower of 1.05 or the 2003 Consumer Price Index plus any additions.

The tax levy for July 1, 2003 was based on the following rates: (per \$1,000 of Taxable Valuation)

	<u>Millage Rate Levied</u>	<u>Maximum Authorized Millage Rate</u>	
		<u>By City Charter</u>	<u>By State Law</u>
General Operating	8.7724	9.000	8.7724
Debt Service		Voted as required by	Voted as required by
Chapter 20 Drain	-	debt service	debt service
Library	.4873	.500	.4873
Emergency Medical Service	.2923	.300 (extra voted; indefinite)	.2923
Recreation	.9746	1.000 (extra voted; indefinite)	.9746
Police and Fire Pension Requirements	1.8248	-	Not to exceed author- ized contribution - Act 345, P.A. of Michigan 1937 as amended.
Refuse Collection and Disposal	1.8918	-	3.000 Act 298, P.A. of Michigan 1917, as amended, subject to Headlee limitation of 2.9240
Police Protection	.9746	.9798 (extra voted; thru levy of July 1, 2018)	.9746
Fire and Emergency Medical Service	.9746	.9798 (extra voted; thru levy of July 1, 2018)	.9746

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**D. OTHER INFORMATION**

**5. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City utilizes a combination of self-insurance and commercial insurance. A schedule of insurance coverage in force is presented in Exhibit D-29 of the Statistical Section of this report. All coverage listed therein is premium based with the following exceptions.

The City's is self-insured for non-HMO medical benefits afforded to employees and retirees. The program is liable for the first \$150,000 per person, per year, except for deductible amounts. The City has purchased an insurance policy to cover any cost over the \$150,000 limitation, not to exceed the limit of \$1,850,000 lifetime per person.

The City is self-insured for workers' compensation, automobile and public entity liability insurance. The City maintains a \$350,000 Self-Insured Retention (SIR) for worker's compensation and a \$500,000 SIR for auto and public entity liability. The City has purchased additional insurance to cover potential claims in excess of the SIR.

A designation of unreserved fund balance in the amount of \$8,158,659 is reported in the fund financial statements representing potential developed claims outstanding as of June 30, 2004 as provided by the City's insurance carrier. The Water and Sewer System enterprise fund has reserved \$500,000 of net assets as of December 31, 2003, towards payment of potential self-insured medical claims. The City believes these designations are sufficient to pay potential self-insured medical, workers' compensation, automobile or public entity liability claims incurred as of their respective balance sheet dates.

Amounts reported as accrued insurance claims in the government-wide financial statements for the prior two fiscal years is as follows:

	<u>2003</u>	<u>Estimated Claims Incurred</u>	<u>Claim and Premium Payments</u>	<u>2004</u>
Worker's compensation, automobile and public entity liability	\$ 5,657,327	\$ 2,455,711	\$ (2,891,816)	\$ 5,221,222
Retrospective adjustment from prior insurance carrier (including potential sewer back-up liability)	<u>4,123,269</u>	<u>(1,185,832)</u>	-	<u>2,937,437</u>
Estimated liability - end of year	<u>\$ 9,780,596</u>	<u>\$ 1,269,879</u>	<u>\$ (2,891,816)</u>	<u>\$ 8,158,659</u>

**6. CONTINGENT LIABILITIES**

**Litigation**

There are various claims and legal actions pending against the City of Warren and its various operating units, most of which are either partially or fully covered by insurance. The City maintains Public Entity Liability Coverage with a \$10 million limit. It is the opinion of management that any potential claims not covered by insurance would not materially affect the financial statements of the City.

(Continued)

CITY OF WARREN, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**D. OTHER INFORMATION**

**7. JOINT VENTURE**

The City is a member of the South Macomb Disposal Authority, which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Center Line, Roseville, Eastpointe and St. Clair Shores, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budget. Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 2001 Pleasant Avenue, Box 286, St. Clair Shores, Michigan 48080.

**8. SUBSEQUENT EVENTS**

On April 1, 2004 (subsequent to the Authority's fiscal year end of November 30, 2003), the City of Warren Downtown Development Authority sold \$20,000,000 of Limited Tax Bonds, Series 2004. The bonds were issued for the purpose of paying costs of development and redevelopment of the City's downtown district. Tax increment revenues, resulting from the "captured assessed value" of properties within the development area, is the primary source for payment of principal and interest on the bonds.

On August 1, 2004, the City of Warren sold \$8,930,000 of Building Authority Refunding Bonds, Series 2004. The bonds were issued for the purpose of defeasing \$8,755,000 of Building Authority Refunding Bonds, Series 1996. The net present value saving of this advance refunding was \$651,703. Rental revenues from the Joseph Coach Senior Housing Fund represent the primary source for principal and interest payments when due.

The 2005 City budget as adopted provided for the layoff of 34 firefighters. Subsequent to June 30, 2004, the City and the Warren Professional Fire Fighters Association, Local 1383 re-negotiated certain terms of their collective bargaining agreement allowing for the return of ten firefighters. Terms of the agreement provide for a 0.0% wage increase (previously 4.0%) for the fiscal year 2005. In addition the contract was extended an additional two years to June 30, 2007 with 0.0% wage increases in fiscal years 2006 and 2007. The City also agreed to no further layoffs within the contract period.

At their meeting of December 14, 2004 the Warren City Council approved the transfer of \$17,068,544 to the City of Warren Police and Fire V.E.B.A. Trust. This amount was included in unreserved-designated fund balance at June 30, 2004.

(Continued)

**CITY OF WARREN, MICHIGAN**

**REQUIRED SUPPLEMENTARY INFORMATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

CITY OF WARREN, MICHIGAN  
SUMMARY BUDGETARY COMPARISON SCHEDULE  
REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES

GENERAL FUND

Year Ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003
	Original Budget	Amended Budget	Actual	Variance	Actual
Revenues:					
Taxes	\$ 53,860,233	\$ 53,860,233	\$ 54,381,185	\$ 520,952	\$ 53,766,194
Licenses and permits	1,859,500	1,859,500	1,655,809	(203,691)	1,669,227
Intergovernmental:					
Federal revenue	84,750	580,500	922,247	341,747	730,239
State revenue	16,003,446	16,303,446	15,549,068	(754,378)	17,063,047
Local revenue	393,456	393,456	483,873	90,417	421,694
Charges for services	791,000	791,375	869,762	78,387	980,236
Fines and fees	4,054,000	4,054,000	4,666,970	612,970	4,141,484
Interest on investments	900,000	906,366	753,850	(152,516)	993,328
Miscellaneous	4,804,400	4,804,400	5,380,553	576,153	4,216,540
Total revenues	<u>82,750,785</u>	<u>83,553,276</u>	<u>84,663,317</u>	<u>1,110,041</u>	<u>83,981,989</u>
Expenditures:					
General government	26,332,544	24,072,067	22,101,858	1,970,209	21,495,278
Public safety	54,252,070	62,054,290	56,024,563	6,029,727	47,088,930
City development	6,472,053	6,544,811	5,766,787	778,024	5,605,369
Highways and streets	2,410,650	2,410,650	2,201,584	209,066	2,130,298
Recreation and culture	117,000	128,939	118,719	10,220	91,515
Debt service	575,326	575,326	575,325	1	793,896
Total expenditures	<u>90,159,643</u>	<u>95,786,083</u>	<u>86,788,836</u>	<u>8,997,247</u>	<u>77,205,286</u>
Excess (deficiency) of revenues over expenditures	<u>(7,408,858)</u>	<u>(12,232,807)</u>	<u>(2,125,519)</u>	<u>10,107,288</u>	<u>6,776,703</u>
Other financing sources (uses):					
Transfer from:					
Budget stabilization fund	3,400,000	3,400,000	3,400,000	-	-
Vice crime confiscations fund	25,000	40,788	15,788	(25,000)	20,698
Drug forfeiture fund	100,000	100,000	100,000	-	95,000
Transfer to:					
Michigan transportation operating funds	(149,694)	(156,694)	(159,933)	(3,239)	(141,860)
Building Authority debt fund	(1,037,000)	(1,037,000)	(1,031,926)	5,074	(751,300)
Total other financing sources (uses)	<u>2,338,306</u>	<u>2,347,094</u>	<u>2,323,929</u>	<u>(23,165)</u>	<u>(777,462)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>(5,070,552)</u>	<u>(9,885,713)</u>	<u>198,410</u>	<u>10,084,123</u>	<u>5,999,241</u>
Fund balance - beginning of year	<u>57,301,767</u>	<u>57,301,767</u>	<u>57,301,767</u>	<u>-</u>	<u>51,302,526</u>
Fund balance - end of year	<u>\$ 52,231,215</u>	<u>\$ 47,416,054</u>	<u>\$ 57,500,177</u>	<u>\$ 10,084,123</u>	<u>\$ 57,301,767</u>

See accompanying notes to financial statements.

## EXHIBIT C-2

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
REVENUES AND OTHER FINANCING SOURCES

GENERAL FUND

Year Ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
Revenues:					
Property taxes:					
Real and personal property	\$ 51,642,456	\$ 51,642,456	\$ 51,637,249	\$ (5,207)	\$ 50,716,556
Industrial facilities	958,777	958,777	958,767	(10)	1,321,524
Interest and penalties	180,000	180,000	425,293	245,293	331,141
Payment in lieu of taxes-					
trailer parks and senior citizen housing	29,000	29,000	29,596	596	29,893
Administration fee	1,050,000	1,050,000	1,330,280	280,280	1,367,080
	<u>53,860,233</u>	<u>53,860,233</u>	<u>54,381,185</u>	<u>520,952</u>	<u>53,766,194</u>
Licenses and permits:					
Building permits	800,000	800,000	663,625	(136,375)	631,907
Electrical permits	210,000	210,000	182,142	(27,858)	173,206
Mechanical permits	190,000	190,000	155,090	(34,910)	152,426
Plumbing permits	210,000	210,000	230,923	20,923	290,056
Plan review fees	130,000	130,000	128,356	(1,644)	130,398
Sidewalk permits	2,500	2,500	4,401	1,901	1,750
Zoning permits and fees	140,000	140,000	116,139	(23,861)	123,968
Animal licenses	17,000	17,000	28,055	11,055	24,999
Other licenses and permits	160,000	160,000	147,078	(12,922)	140,517
	<u>1,859,500</u>	<u>1,859,500</u>	<u>1,655,809</u>	<u>(203,691)</u>	<u>1,669,227</u>
Intergovernmental:					
Federal revenue:					
Civil defense grant	46,000	46,000	47,484	1,484	53,284
Local Law Enforcement Grant	-	142,092	277,025	134,933	338,425
COPS Liaison Officer Grant	38,750	38,750	38,750	-	158,750
Metro Medical Response Grant	-	207,737	207,737	-	-
Juvenile Accountability Block Grant	-	-	-	-	86,684
Domestic Preparedness Equipment Grant	-	145,921	351,251	205,330	93,096
	<u>84,750</u>	<u>580,500</u>	<u>922,247</u>	<u>341,747</u>	<u>730,239</u>
State revenue:					
State shared:					
Sales and use tax	15,500,000	15,500,000	14,867,961	(632,039)	16,551,307
Liquor licenses	72,000	72,000	76,134	4,134	79,228
Grants:					
COMET grant	29,000	29,000	41,845	12,845	28,217
Drug Court Enhancement Grant	-	100,000	61,762	(38,238)	90,539
Byrne Formula Grants	-	200,000	187,729	(12,271)	130,860
911 Dispatch Training Grant	80,000	80,000	130,741	50,741	-
Judge's salary standardization	182,446	182,446	182,896	450	182,896
Election expense reimbursement	140,000	140,000	-	(140,000)	-
	<u>16,003,446</u>	<u>16,303,446</u>	<u>15,549,068</u>	<u>(754,378)</u>	<u>17,063,047</u>
Local revenue:					
School Liaison Officer reimbursement	156,456	156,456	199,868	43,412	157,812
Macomb West Nile Virus Assistance	-	-	14,683	14,683	16,576
City of Center Line court reimbursement	237,000	237,000	269,322	32,322	247,306
	<u>393,456</u>	<u>393,456</u>	<u>483,873</u>	<u>90,417</u>	<u>421,694</u>

(Continued)

See accompanying notes to financial statements



CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
REVENUES AND OTHER FINANCING SOURCES

GENERAL FUND

Year Ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
Revenues, continued:					
Charges for services:					
Police services and auctions	\$ 185,000	\$ 185,000	\$ 177,305	\$ (7,695)	\$ 304,311
Fire services	15,000	15,000	14,013	(987)	48,150
Clerk's services	180,000	180,000	218,021	38,021	210,201
I.F.T. exemption processing fees	2,000	2,000	1,000	(1,000)	3,250
Planning commission	17,000	17,000	17,260	260	14,947
Site plan fees	20,000	20,000	19,100	(900)	20,500
Engineering and inspection fees	160,000	160,000	121,085	(38,915)	167,346
Weed cutting	45,000	45,000	45,790	790	33,788
Board of appeals - fees	22,000	22,000	21,840	(160)	20,980
Block Grant administration	90,000	90,000	90,000	-	90,000
Miscellaneous	55,000	55,375	144,348	88,973	66,763
	<u>791,000</u>	<u>791,375</u>	<u>869,762</u>	<u>78,387</u>	<u>980,236</u>
37th District Court:					
Fines and fees	3,750,000	3,750,000	4,074,309	324,309	3,790,037
Probation fees	250,000	250,000	326,010	76,010	290,323
Civil infractions	4,000	4,000	3,725	(275)	3,575
Drug Court revenue	50,000	50,000	56,336	6,336	57,549
Court building renovation fee	-	-	206,590	206,590	-
	<u>4,054,000</u>	<u>4,054,000</u>	<u>4,666,970</u>	<u>612,970</u>	<u>4,141,484</u>
Interest on investments	<u>900,000</u>	<u>906,366</u>	<u>753,850</u>	<u>(152,516)</u>	<u>993,328</u>
Miscellaneous:					
Motor Vehicle Highway Funds:					
Major streets equipment rentals	328,000	328,000	292,005	(35,995)	351,879
Local streets equipment rentals	594,000	594,000	834,452	240,452	732,910
Major streets administrative fee	418,900	418,900	418,900	-	412,300
Local streets administrative fee	179,500	179,500	179,500	-	176,700
Salt dome rental	5,000	5,000	5,000	-	5,000
Water and sewer system:					
Administrative fee	1,397,000	1,397,000	1,397,000	-	1,138,000
Senior Citizen Housing administrative fee	101,600	101,600	101,600	-	100,000
Library administrative fee	40,600	40,600	40,600	-	40,000
Recreation administrative fee	81,300	81,300	81,300	-	80,000
Sanitation administrative fee	718,000	718,000	718,000	-	240,000
Communications administrative fee	94,500	94,500	94,500	-	93,000
D.D.A. administrative fee	546,000	546,000	546,000	-	546,000
Court building rental	250,000	250,000	250,000	-	250,000
Corporate donations	-	-	-	-	-
Sale of equipment	50,000	50,000	421,696	371,696	50,751
	<u>4,804,400</u>	<u>4,804,400</u>	<u>5,380,553</u>	<u>576,153</u>	<u>4,216,540</u>
Total revenues	<u>82,750,785</u>	<u>83,553,276</u>	<u>84,663,317</u>	<u>1,110,041</u>	<u>83,981,989</u>
Other financing sources:					
Transfer from:					
Budget stabilization fund	3,400,000	3,400,000	3,400,000	-	-
Vice crime confiscations fund	25,000	40,788	15,788	(25,000)	20,698
Drug forfeiture fund	100,000	100,000	100,000	-	95,000
Total other financing sources	<u>3,525,000</u>	<u>3,540,788</u>	<u>3,515,788</u>	<u>(25,000)</u>	<u>115,698</u>
Total revenues and other financing sources	<u>\$ 86,275,785</u>	<u>\$ 87,094,064</u>	<u>\$ 88,179,105</u>	<u>\$ 1,085,041</u>	<u>\$ 84,097,687</u>

## EXHIBIT C-3

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government:					
<b>Council:</b>					
Personal services:					
Elected officials	\$ 234,081	\$ 237,581	\$ 237,550	\$ 31	\$ 230,553
Permanent employees	295,643	289,143	260,667	28,476	284,662
Clerical co-op	2,000	5,000	2,660	2,340	525
Overtime	9,690	9,690	1,293	8,397	535
Employee benefits:					
Social security	42,486	42,486	40,139	2,347	40,203
Employee insurances	125,792	125,792	143,006	(17,214)	134,619
Retiree health insurance	102,332	102,332	95,034	7,298	98,710
Longevity	11,779	11,779	9,566	2,213	10,825
Retirement fund	110,701	110,701	93,135	17,566	94,368
Cost of living	1,075	1,075	410	665	681
Auto allowance	3,600	3,600	3,600	-	3,600
Office supplies	17,000	17,000	8,238	8,762	5,099
Other services and charges:					
Contractual services	19,149	19,149	7,962	11,187	7,583
Court reporter	9,000	9,000	7,500	1,500	7,400
Postage	4,000	4,000	971	3,029	925
Telephone	4,000	4,000	1,398	2,602	73
Printing and publishing	3,000	3,000	456	2,544	745
<b>Total council</b>	<u>995,328</u>	<u>995,328</u>	<u>913,585</u>	<u>81,743</u>	<u>921,106</u>
<b>Mayor:</b>					
Personal services:					
Elected official	104,690	106,250	106,243	7	102,848
Permanent employees	370,341	370,341	370,341	-	356,650
Clerical co-op / Temporary	25,000	17,640	-	17,640	-
Employee benefits:					
Social security	38,962	38,962	37,467	1,495	36,234
Employee insurances	60,298	60,298	75,567	(15,269)	67,228
Retiree health insurance	91,091	94,391	94,097	294	90,188
Longevity	7,674	7,674	7,666	8	7,401
Retirement fund	80,242	82,742	81,800	942	76,949
Cost of living	1,290	1,290	646	644	815
Auto allowance	10,800	10,800	10,535	265	10,800
Office supplies	16,000	16,000	9,060	6,940	12,675
Other services and charges:					
Contractual services	4,000	4,000	3,289	711	3,991
Postage	12,000	12,000	7,082	4,918	23,679
Auto expense	1,000	1,000	68	932	361
Capital outlay:					
Office equipment	3,000	3,000	897	2,103	1,502
<b>Total mayor</b>	<u>826,388</u>	<u>826,388</u>	<u>804,758</u>	<u>21,630</u>	<u>791,321</u>

(continued)

See accompanying notes to financial statements.

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>37th District Court:</b>					
Personal services:					
Elected officials	\$ 184,424	\$ 184,424	\$ 184,303	\$ 121	\$ 183,441
Permanent employees	2,226,881	2,194,881	2,183,027	11,854	2,073,657
Temporary employees	85,000	85,000	83,839	1,161	95,406
Temporary employees - drug court	-	65,400	12,867	52,533	-
Overtime	4,000	4,000	2,526	1,474	1,169
Employee benefits:					
Social security	183,962	183,895	179,681	4,214	171,600
Employee insurances	365,778	362,778	457,205	(94,427)	393,467
Retiree health insurance	457,105	457,105	447,201	9,904	429,197
Longevity	57,727	57,727	57,683	44	49,828
Retirement fund	484,036	474,036	461,497	12,539	409,491
Cost of living	9,890	5,890	4,882	1,008	6,193
Office supplies	47,000	52,000	52,647	(647)	49,204
Other services and charges:					
Contractual services	47,000	47,000	34,578	12,422	35,382
Independent audit	14,000	14,000	13,000	1,000	12,600
Contractual services - data processing	145,000	152,000	151,504	496	140,966
Postage	22,000	17,000	13,213	3,787	18,282
Transcripts	1,000	1,000	90	910	82
Drug Court expense	50,000	50,000	19,337	30,663	17,810
W.R.A.P. Drug Court expense	-	9,149	1,075	8,074	250
Michigan Drug Court Grant expense	-	28,667	4,589	24,078	53,068
Byrne Formula Grant expense	-	274,837	158,379	116,458	23,035
Counsel for indigent defendants	485,000	537,000	587,603	(50,603)	549,015
Witness and jury fees	25,000	23,000	17,541	5,459	13,638
Telephone	37,000	37,000	29,403	7,597	30,173
Mileage	1,500	1,500	1,255	245	1,099
Public utilities	80,000	80,000	69,509	10,491	73,822
Building rental	250,000	250,000	250,000	-	250,000
Dues and subscriptions	6,000	6,000	5,098	902	4,822
Books	13,000	11,000	6,733	4,267	16,877
Capital outlay:					
Office equipment	8,000	12,728	12,660	68	25,541
<b>Total 37th district court</b>	<b>5,290,303</b>	<b>5,679,017</b>	<b>5,502,925</b>	<b>176,092</b>	<b>5,129,115</b>

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

## GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Clerk:</b>					
Personal services:					
Elected official	\$ 77,425	\$ 78,585	\$ 78,576	\$ 9	\$ 76,065
Permanent employees	532,139	530,979	486,732	44,247	507,062
Seasonal employees	45,000	45,000	34,749	10,251	19,700
Overtime	32,000	29,000	17,568	11,432	26,443
Employee benefits:					
Social security	54,996	54,996	48,530	6,466	52,632
Employee insurances	85,163	85,163	86,656	(1,493)	81,342
Retiree health insurance	122,353	122,353	111,387	10,966	123,514
Longevity	20,886	20,886	18,349	2,537	18,038
Retirement fund	141,966	141,966	119,284	22,682	124,934
Cost of living	2,150	2,150	1,033	1,117	1,383
Uniforms	380	380	380	-	480
Office supplies	27,000	27,000	16,547	10,453	16,155
Other services & charges:					
Contractual services	20,350	20,350	10,153	10,197	2,571
Postage	40,000	40,000	20,516	19,484	22,537
Election wages	267,050	267,050	153,355	113,695	120,775
Election expense	100,000	100,000	82,331	17,669	60,034
Auto expense	1,700	1,700	866	834	891
Printing and publishing	65,000	65,000	35,360	29,640	30,637
Capital outlay:					
Office equipment	-	3,000	2,780	220	811
<b>Total clerk</b>	<u>1,635,558</u>	<u>1,635,558</u>	<u>1,325,152</u>	<u>310,406</u>	<u>1,286,004</u>
<b>Treasurer:</b>					
Personal services:					
Elected official	77,425	78,585	78,576	9	76,065
Permanent employees	707,816	681,856	609,932	71,924	562,670
Seasonal employees	18,000	18,000	8,498	9,502	16,737
Overtime	11,000	11,000	6,431	4,569	8,527
Employee benefits:					
Social security	64,335	64,335	54,784	9,551	52,144
Employee insurances	132,606	132,606	122,914	9,692	102,327
Retiree health insurance	149,512	149,512	130,944	18,568	122,011
Longevity	12,874	12,874	12,791	83	12,802
Retirement fund	178,155	178,155	133,566	44,589	116,496
Cost of living	3,010	3,010	1,269	1,741	1,532
Office supplies	9,000	10,000	8,733	1,267	5,962
Other services and charges:					
Contractual services	14,000	14,000	9,660	4,340	11,068
Postage	54,000	76,000	67,316	8,684	36,337
Legal fees	15,000	15,000	1,560	13,440	4,708
Tax statement preparation	52,000	52,000	19,526	32,474	39,332
Auto expense	500	500	341	159	200
Delinquent personal property tax write off	125,000	125,000	125,000	-	100,000
Capital outlay:					
Office equipment	-	1,800	1,586	214	10,069
<b>Total treasurer</b>	<u>1,624,233</u>	<u>1,624,233</u>	<u>1,393,427</u>	<u>230,806</u>	<u>1,278,987</u>

(continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Controller:</b>					
Personal services:					
Appointed official	\$ 105,526	\$ 105,526	\$ 105,526	\$ -	\$ 101,787
Permanent employees	1,154,190	1,151,090	1,111,240	39,850	1,059,984
Clerical co-op	25,000	28,100	25,479	2,621	10,958
Overtime	32,000	32,000	28,515	3,485	24,072
Employee benefits:					
Social security	103,666	103,666	97,216	6,450	91,924
Employee insurances	171,287	171,287	192,077	(20,790)	171,574
Retiree health insurance	246,131	246,131	240,025	6,106	228,090
Longevity	37,326	37,326	35,093	2,233	35,118
Retirement fund	302,861	302,861	281,982	20,879	235,734
Cost of living	4,300	4,300	2,074	2,226	2,624
Auto allowance	3,600	3,600	3,600	-	3,600
Office supplies	24,000	24,000	20,927	3,073	21,538
Other services & charges:					
Contractual services	3,000	3,000	2,280	720	2,814
Postage	5,500	5,500	3,059	2,441	4,412
Mileage	600	600	733	(133)	384
Capital outlay:					
Office equipment	3,000	3,000	1,671	1,329	882
Total controller	2,221,987	2,221,987	2,151,497	70,490	1,995,495
Charges reimbursable via Public Act 55	(212,558)	(212,558)	(212,558)	-	(197,058)
<b>Net controller</b>	<u>2,009,429</u>	<u>2,009,429</u>	<u>1,938,939</u>	<u>70,490</u>	<u>1,798,437</u>
<b>Information Systems:</b>					
Personal services:					
Permanent employees	266,870	267,870	267,870	-	250,739
Temporary employees	7,000	7,000	-	7,000	329
Overtime	10,000	10,000	2,656	7,344	5,117
Employee benefits:					
Social security	22,405	22,405	21,011	1,394	20,748
Employee insurances	35,872	36,372	46,933	(10,561)	40,710
Retiree health insurance	51,933	51,933	51,511	422	50,604
Longevity	4,358	4,358	4,356	2	4,301
Retirement fund	39,905	39,905	39,595	310	39,564
Cost of living	860	860	384	476	551
Operating supplies	7,160	7,160	6,238	922	5,142
Other services and charges:					
Contractual services	100,000	100,000	70,171	29,829	70,683
Software services	25,000	23,500	8,908	14,592	6,176
Capital outlay:					
Computer equipment	7,000	7,000	6,624	376	6,775
<b>Total information systems</b>	<u>578,363</u>	<u>578,363</u>	<u>526,257</u>	<u>52,106</u>	<u>501,439</u>

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

## GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003
	Original Budget	Amended Budget	Actual	Variance	Actual
General government, continued:					
Legal:					
Personal services:					
Appointed official	\$ 105,618	\$ 105,618	\$ 105,533	\$ 85	\$ 101,878
Assistant attorneys	555,783	551,283	519,374	31,909	499,482
Clerical staff	200,117	195,417	185,956	9,461	188,547
Part-time employees:					
Law clerks	38,000	40,000	38,537	1,463	56,298
Clerical co-op	9,000	13,000	11,031	1,969	8,056
Employee benefits:					
Social security	67,962	67,962	63,734	4,228	65,902
Employee insurances	104,298	104,298	99,041	5,257	103,712
Retiree health insurance	163,693	163,693	153,728	9,965	152,917
Longevity	21,659	21,659	17,179	4,480	21,613
Retirement fund	185,197	185,197	172,447	12,750	154,551
Cost of living	2,365	2,365	1,190	1,175	1,363
Auto allowance	3,600	3,600	3,600	-	3,600
Office supplies	8,100	8,100	5,980	2,120	5,612
Other services and charges:					
Contractual services	5,000	5,000	2,435	2,565	1,857
Postage	1,300	2,000	1,834	166	1,438
Legal fees	5,500	5,500	1,956	3,544	3,337
Mileage	1,400	1,400	856	544	627
Books, dues and subscription	22,000	22,000	17,910	4,090	23,077
Capital outlay:					
Office equipment	-	2,500	2,225	275	2,424
<b>Total legal</b>	<b>1,500,592</b>	<b>1,500,592</b>	<b>1,404,546</b>	<b>96,046</b>	<b>1,396,291</b>
Assessing:					
Personal services:					
Appointed official	96,804	96,804	96,804	-	93,355
Permanent employees	696,465	696,465	637,002	59,463	600,730
Seasonal employees	6,000	7,800	7,107	693	5,985
Overtime	18,000	18,000	7,019	10,981	3,932
Employee benefits:					
Social security	64,756	64,756	58,885	5,871	54,753
Employee insurances	105,942	105,942	115,748	(9,806)	100,142
Retiree health insurance	155,046	155,046	144,629	10,417	134,082
Longevity	24,513	24,513	24,490	23	21,169
Retirement fund	211,288	211,288	192,360	18,928	151,931
Cost of living	2,795	2,795	1,325	1,470	1,704
Auto allowance	3,600	3,600	3,600	-	3,600
Office supplies	6,000	6,000	4,993	1,007	5,615
Other services and charges:					
Contractual services:					
Data conversion	12,000	12,000	-	12,000	23,860
Software services	14,000	14,000	5,780	8,220	5,780
Postage	21,780	21,780	20,474	1,306	20,295
Board of review	6,000	6,000	4,103	1,897	4,456
Tax roll preparation	21,000	19,200	12,447	6,753	11,037
Auto expense	2,500	2,500	1,143	1,357	1,624
Capital outlay:					
Office equipment	1,700	1,700	-	1,700	650
<b>Total assessing</b>	<b>1,470,189</b>	<b>1,470,189</b>	<b>1,337,909</b>	<b>132,280</b>	<b>1,244,700</b>

(continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>D.P.W. garage:</b>					
Personal services:					
Clerical salaries	92,913	72,913	49,067	23,846	48,040
Mechanics wages	452,094	424,394	401,467	22,927	381,732
Overtime - clerical	1,500	2,000	1,234	766	1,895
Overtime - mechanics	45,000	45,000	20,607	24,393	32,743
Employee benefits:					
Social security	46,908	46,908	37,326	9,582	36,429
Employee insurances	108,204	108,204	98,466	9,738	86,653
Retiree health insurance	111,430	111,430	89,900	21,530	87,582
Longevity	11,482	11,482	11,445	37	10,071
Retirement fund	121,561	121,561	83,845	37,716	76,170
Cost of living	2,276	2,276	971	1,305	1,250
Uniforms	1,710	1,710	1,355	355	1,306
Supplies:					
Operating supplies	142,000	142,000	134,553	7,447	132,669
Gasoline and diesel oil	95,000	95,000	58,384	36,616	56,034
Other services and charges:					
Contractual service	35,000	35,000	32,239	2,761	34,713
Telephone and radio	15,000	15,000	10,624	4,376	13,823
Vehicle maintenance	270,000	270,000	259,776	10,224	228,839
Public utilities	75,000	90,000	87,660	2,340	88,071
Capital outlay:					
Office equipment	2,500	2,500	942	1,558	4,336
Equipment and machinery	3,500	28,700	28,260	440	34,275
Capital improvements	20,000	48,961	48,831	130	7,104
<b>Total D.P.W. garage</b>	<b>1,653,078</b>	<b>1,675,039</b>	<b>1,456,952</b>	<b>218,087</b>	<b>1,363,735</b>

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Building maintenance:</b>					
Personal services:					
Superintendent	\$ 72,327	\$ 72,327	\$ 72,227	\$ 100	\$ 66,118
Permanent employees	865,976	833,876	718,259	115,617	680,402
Seasonal employees	15,000	15,000	10,637	4,363	16,520
Overtime	19,000	29,000	26,778	2,222	21,825
Employee benefits:					
Social security	77,900	77,900	65,296	12,604	62,323
Employee insurances	199,940	199,940	191,640	8,300	158,438
Retiree health insurance	182,287	182,287	146,091	36,196	136,337
Longevity	28,737	28,837	28,774	63	27,350
Retirement fund	268,979	268,979	227,052	41,927	179,385
Cost of living	4,108	4,108	1,778	2,330	2,169
Uniforms	3,230	3,230	1,389	1,841	2,415
Supplies:					
Operating	30,000	30,000	27,469	2,531	24,486
Other services and charges:					
Repairs and maintenance	70,000	58,000	40,215	17,785	38,707
Contractual services	45,000	79,000	63,907	15,093	56,255
Vehicle maintenance	4,500	4,500	4,133	367	3,208
Capital outlay:					
Capital improvements	5,000	5,000	-	5,000	16,400
Equipment - maintenance	5,000	5,000	611	4,389	6,240
<b>Total building maintenance</b>	<u>1,896,984</u>	<u>1,896,984</u>	<u>1,626,256</u>	<u>270,728</u>	<u>1,498,578</u>
<b>Civil service - police and fire:</b>					
Personal services:					
Permanent employees	49,366	51,666	51,574	92	47,428
Overtime	6,000	3,695	602	3,093	1,910
Fees and per diem	3,000	3,000	2,050	950	2,100
Employee benefits:					
Social security	4,459	4,459	4,150	309	3,930
Employee insurances	8,153	8,153	7,983	170	7,182
Retiree health insurance	10,594	10,594	10,024	570	9,457
Longevity	1,959	1,964	1,960	4	1,891
Retirement fund	16,434	16,434	15,540	894	12,011
Cost of living	215	215	111	104	143
Supplies:					
Office supplies	1,800	1,800	774	1,026	1,005
Exams and operating supplies	25,000	25,000	9,194	15,806	6,157
Other services and charges:					
Postage	1,000	1,000	148	852	96
Capital outlay:					
Office equipment	-	-	-	-	1,161
<b>Total civil service - police and fire</b>	<u>127,980</u>	<u>127,980</u>	<u>104,110</u>	<u>23,870</u>	<u>94,471</u>

(continued)



CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Personnel:</b>					
Personal services:					
Permanent employees	\$ 380,938	\$ 382,438	\$ 382,438	\$ -	\$ 370,637
Temporary / Co-op	3,000	3,000	210	2,790	-
Overtime	6,000	6,000	2,961	3,039	2,750
Fees and per diem	3,000	3,000	3,000	-	3,000
Employee benefits:					
Social security	31,421	31,421	30,944	477	29,808
Employee insurances	58,013	58,013	71,681	(13,668)	62,786
Retiree health insurance	74,736	76,336	75,866	470	73,245
Longevity	10,523	10,723	10,678	45	10,414
Retirement fund	74,693	75,693	74,945	748	66,575
Cost of living	1,290	1,290	668	622	820
Auto allowance	7,200	7,200	6,600	600	7,200
Office supplies	7,000	7,000	5,605	1,395	7,026
Other services and charges:					
Contractual services	30,000	30,000	21,858	8,142	22,597
Contractual services -					
Employee Assistance Center	16,000	16,000	15,278	722	14,875
Postage	8,700	8,700	4,705	3,995	5,845
Medical services	36,000	36,000	29,656	6,344	32,367
Mileage	500	500	44	456	31
Printing and publishing	36,000	31,700	14,972	16,728	20,693
Insurance Line of Credit cost	5,000	5,000	2,827	2,173	5,000
Membership and dues	1,100	1,100	959	141	944
<b>Total personnel</b>	<b>791,114</b>	<b>791,114</b>	<b>755,895</b>	<b>35,219</b>	<b>736,613</b>

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Labor relations:</b>					
Personal services:					
Permanent employees	\$ 194,964	\$ 194,964	\$ 79,481	\$ 115,483	\$ 77,077
Temporary employees	4,000	4,000	-	4,000	-
Overtime	4,000	4,000	-	4,000	-
Employee benefits:					
Social security	15,990	15,990	6,297	9,693	6,115
Employee insurances	35,152	35,152	13,804	21,348	12,018
Retiree health insurance	37,245	37,245	15,208	22,037	14,712
Longevity	2,700	2,700	2,700	-	2,700
Retirement fund	47,074	47,074	12,381	34,693	11,950
Cost of living	645	645	110	535	136
Office supplies	2,800	2,800	893	1,907	561
Other services and charges:					
Arbitration expense	75,000	75,000	71,598	3,402	187,882
Auto expense	750	750	8	742	12
Printing and publishing	4,000	4,000	-	4,000	-
Membership and dues	10,000	10,000	7,451	2,549	5,691
<b>Total labor relations</b>	<b>434,320</b>	<b>434,320</b>	<b>209,931</b>	<b>224,389</b>	<b>318,854</b>
<b>City retirement:</b>					
Retiree benefits:					
Insurance	4,450,000	4,450,000	5,310,256	(860,256)	4,388,061
Medicare reimbursement	330,000	330,000	335,913	(5,913)	292,481
Personal services:					
Accounting services	121,366	121,366	-	121,366	-
Clerical services	91,192	91,192	-	91,192	-
Fees and per diem	600	600	-	600	-
Office supplies	2,500	2,500	821	1,679	832
Other services and charges:					
Contractual services	617,898	617,898	-	617,898	-
Service contracts	1,000	1,000	-	1,000	-
Disability physicals	1,000	1,000	-	1,000	-
Bank custodial fees	35,200	35,200	-	35,200	-
Conferences and workshops	10,000	10,000	-	10,000	-
Legal fees	12,000	12,000	-	12,000	75
Postage	3,000	3,000	3,059	(59)	3,131
Printing and publishing	2,000	2,000	-	2,000	-
Telephone	800	800	-	800	4
Memberships and dues	850	850	-	850	-
<b>Total city retirement</b>	<b>5,679,406</b>	<b>5,679,406</b>	<b>5,650,049</b>	<b>29,357</b>	<b>4,684,584</b>
Charges reimbursable via Public Act 55	(878,530)	(878,530)	(3,880)	(874,650)	(4,042)
Charges reimbursable via VEBA Trust	(4,800,876)	(4,800,876)	(5,646,169)	845,293	(4,680,542)
<b>Net city retirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Police and fire retirement:</b>					
Retiree benefits:					
Insurance	\$ 4,300,000	\$ 4,300,000	\$ 4,594,431	\$ (294,431)	\$ 3,972,935
Medicare reimbursement	160,000	160,000	172,500	(12,500)	135,595
Personal services:					
Permanent employees	112,847	117,997	117,937	60	108,634
Overtime	3,828	3,828	3,558	270	1,274
Social security	9,353	9,653	9,586	67	8,926
Employee insurances	10,342	15,042	20,052	(5,010)	11,820
Retiree health insurance	22,216	23,216	23,153	63	21,403
Longevity	3,569	3,574	3,570	4	3,387
Retirement fund	28,378	29,878	29,511	367	23,560
Cost of living	430	430	226	204	274
Office supplies	3,320	3,320	-	3,320	-
Other services and charges:					
Contractual services	1,545,000	1,545,000	-	1,545,000	-
Independent audit	17,500	17,500	-	17,500	-
Postage	3,280	3,280	2,365	915	2,025
Disability physicals	1,000	1,000	-	1,000	-
Conferences and workshops	3,775	3,775	-	3,775	-
Travel and lodging	11,325	11,325	-	11,325	-
Printing and publishing	3,000	3,000	-	3,000	-
Insurance and bonds	35,000	35,000	-	35,000	-
Total police and fire retirement	6,274,163	6,286,818	4,976,889	1,309,929	4,289,833
Charges reimbursable via Public Act 55	(1,814,163)	(1,826,818)	(209,959)	(1,616,859)	(181,303)
Charges reimbursable via VEBA Trust	(4,460,000)	(4,460,000)	(4,866,230)	406,230	(4,010,088)
<b>Net police and fire retirement</b>	-	-	(99,300)	99,300	98,442

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

## GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Beautification commission:</b>					
Personal services:					
Permanent employees	\$ 27,151	\$ 29,626	\$ 29,605	\$ 21	\$ 27,094
Part-time employees	4,000	3,000	2,570	430	2,848
Employee benefits:					
Social security	2,431	2,506	2,440	66	2,287
Employee insurances	10,063	10,063	13,328	(3,265)	11,573
Retiree health insurance	5,038	5,513	5,492	21	5,013
Retirement fund	2,737	3,012	2,971	41	2,723
Cost of living	215	215	110	105	136
Office supplies	1,000	1,000	295	705	347
Other services and charges:					
Contractual services	4,000	4,000	1,777	2,223	3,744
Postage	1,000	1,000	669	331	576
Telephone expense	1,250	1,250	200	1,050	924
Mileage	1,200	1,200	1,127	73	1,055
Public utilities	1,000	1,000	321	679	377
School program	3,000	3,000	1,470	1,530	1,846
Awards committee	9,000	9,000	6,376	2,624	8,783
Clean up campaign	4,000	4,000	1,941	2,059	1,589
Installation and informational dinner meetings	1,300	2,300	1,889	411	808
Beautification project - Dial-a-helper	300	300	-	300	-
City flower plantings	5,000	5,000	-	5,000	4,961
Christmas decorations	9,000	9,000	8,557	443	13,000
Van Dyke improvement	4,000	700	659	41	1,265
<b>Total beautification commission</b>	<b>96,685</b>	<b>96,685</b>	<b>81,797</b>	<b>14,888</b>	<b>90,949</b>
<b>Senior health care services commission:</b>					
Other services and charges:					
Community promotion and public relations	3,000	3,000	3,000	-	3,000
<b>Total senior health care services commission</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>
<b>Council of Commissions</b>					
Office supplies	500	500	402	98	212
Other services and charges:					
Printing and publishing	800	800	-	800	-
Appreciation reception	3,000	3,000	2,816	184	2,919
<b>Total council of commissions</b>	<b>4,300</b>	<b>4,300</b>	<b>3,218</b>	<b>1,082</b>	<b>3,131</b>
<b>Animal Rights Commission</b>					
Office supplies	1,000	1,000	-	1,000	-
Other services and charges:					
Operating expense	3,500	3,500	630	2,870	4,074
Postage	100	100	-	100	-
Telephone	600	600	531	69	606
Vaccination fair	2,000	2,000	1,222	778	495
Dog park	3,000	3,000	2,996	4	-
K9 facility	5,000	5,000	2,290	2,710	-
<b>Total animal rights commission</b>	<b>15,200</b>	<b>15,200</b>	<b>7,669</b>	<b>7,531</b>	<b>5,175</b>

(continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
General government, continued:					
<b>Administration unallocated expense:</b>					
Other services and charges:					
Education allowance	\$ 11,000	\$ 11,000	\$ 8,759	\$ 2,241	\$ 7,539
Independent audit	51,000	51,000	47,000	4,000	46,500
Tax reverted property acquisition	-	28,848	28,847	1	239,296
Unemployment costs	38,000	38,000	34,875	3,125	38,383
Computer training	8,000	8,000	1,655	6,345	945
Legal fees	300,000	300,000	324,184	(24,184)	552,181
Telephone and radio	98,000	98,000	65,004	32,996	64,715
Conferences and workshops	27,000	27,000	16,621	10,379	19,877
Community promotion	18,000	18,000	13,354	4,646	15,896
Insurance and bonds	1,765,000	1,765,000	1,537,321	227,679	1,322,042
Lawsuit settlements	10,000	10,000	8,379	1,621	148,211
Investment Policy Commission bank rating	1,000	1,000	280	720	-
Building Authority operating expense	6,000	6,000	-	6,000	-
401(a) Board operating expense	4,000	4,000	750	3,250	250
Disability Commission operating expense	1,500	1,500	216	1,284	228
Public utilities - court building	9,500	9,500	7,815	1,685	7,613
Public utilities - city hall	105,000	105,000	91,508	13,492	93,716
Michigan Municipal League membership	25,000	25,000	-	25,000	22,577
Eight Mile Road Vision Action Plan	7,500	7,500	7,370	130	7,370
HOME Program	90,000	90,000	90,000	-	109,125
Michigan Suburbs Alliance	7,000	7,000	6,912	88	6,912
Auction sale	2,000	2,000	153	1,847	-
Refund of taxes paid under protest	95,000	95,000	40,153	54,847	73,244
Accrued liabilities and commitments	2,700,000	-	-	-	-
Liability transfer:					
Accumulated sick leave	-	-	112,771	(112,771)	156,500
Accumulated compensatory time	-	-	360,905	(360,905)	1,810
Total expenditures	<u>5,379,500</u>	<u>2,708,348</u>	<u>2,804,832</u>	<u>(96,484)</u>	<u>2,934,930</u>
Other uses:					
Transfer to Building Authority Bond Debt Fund:					
Series 1997 multiple purpose bonds	627,000	627,000	626,167	833	653,875
Series 2002 multiple purpose bonds	410,000	410,000	405,759	4,241	97,425
Total other uses	<u>1,037,000</u>	<u>1,037,000</u>	<u>1,031,926</u>	<u>5,074</u>	<u>751,300</u>
<b>Total administrative unallocated expense</b>	<u>6,416,500</u>	<u>3,745,348</u>	<u>3,836,758</u>	<u>(91,410)</u>	<u>3,686,230</u>
Total expenditures	26,332,544	24,072,067	22,101,858	1,970,209	21,495,278
Total other uses	<u>1,037,000</u>	<u>1,037,000</u>	<u>1,031,926</u>	<u>5,074</u>	<u>751,300</u>
<b>Total general government</b>	<u>27,369,544</u>	<u>25,109,067</u>	<u>23,133,784</u>	<u>1,975,283</u>	<u>22,246,578</u>

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
Public safety:					
Fire department:					
Personal services:					
Appointed official	\$ 104,780	\$ 104,780	\$ 84,719	\$ 20,061	\$ 101,066
Firemen	9,912,466	14,547,589	14,547,589	-	9,824,367
Mechanics	132,228	195,033	194,808	225	130,648
Civilians and clerical	206,237	156,237	150,164	6,073	198,462
Clerical co-op	14,000	14,000	5,552	8,448	1,543
Overtime:					
Firemen	575,000	863,776	841,765	22,011	456,443
Mechanics	10,000	13,979	11,286	2,693	5,132
Clerical	3,000	3,000	320	2,680	3,676
Shift premium	270,000	390,731	368,119	22,612	258,803
Employee benefits:					
Education allowance	24,100	59,400	59,355	45	24,650
Cleaning allowance	8,000	8,000	7,047	953	7,563
Food allowance	113,400	194,400	188,682	5,718	110,899
Social security	100,453	134,066	129,245	4,821	92,563
Holiday pay	612,987	892,619	873,387	19,232	589,162
Employee insurances	1,976,462	2,064,367	2,345,454	(281,087)	2,055,410
Retiree health insurance	1,660,085	2,405,589	2,384,563	21,026	1,625,636
Longevity	268,661	363,061	324,915	38,146	258,450
Retirement fund	2,708,035	2,708,035	838,837	1,869,198	516,592
Cost of living	30,133	30,133	16,204	13,929	23,404
Uniforms	70,250	70,250	68,198	2,052	64,353
Supplies:					
EMS medical supplies	45,000	45,000	38,238	6,762	42,458
Operating supplies	73,000	73,000	48,991	24,009	70,073
Other services and charges:					
Contractual services	28,000	101,800	47,318	54,482	19,894
Fire Prevention Week	5,000	5,000	2,261	2,739	2,859
S.M.I.R.T. fund	7,500	7,500	7,500	-	5,000
Laundry	18,000	18,000	8,088	9,912	9,750
Instruction	40,000	16,000	14,112	1,888	20,776
Medical services	33,000	33,000	8,030	24,970	8,945
Telephone and radio	65,000	55,000	41,147	13,853	43,558
Vehicle maintenance	160,000	160,000	151,035	8,965	134,836
Public utilities	100,000	125,000	122,315	2,685	112,561
Building maintenance	50,000	50,000	41,838	8,162	39,256
Hydrant installation and repairs	30,000	30,000	30,000	-	30,000
Public fire protection (water)	60,000	60,000	60,000	-	60,000
Membership and dues	4,000	4,000	1,636	2,364	2,984
Capital outlay:					
Capital improvements	9,001	9,001	-	9,001	2,240
Metro Medical Response Grant equipment	-	86,902	86,902	-	-
Fire equipment	90,978	122,214	118,897	3,317	128,902
Domestic Preparedness Grant expense	-	290,418	189,183	101,235	93,091
<b>Total fire department</b>	<b>19,618,756</b>	<b>26,510,880</b>	<b>24,457,700</b>	<b>2,053,180</b>	<b>17,176,005</b>

(continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003
	Original Budget	Amended Budget	Actual	Variance	Actual
Public safety, continued:					
<b>Police department:</b>					
Personal services:					
Appointed official	\$ 104,780	\$ 104,780	\$ 104,780	\$ -	\$ 101,066
Policemen	15,631,537	15,631,537	15,589,212	42,325	14,901,748
Civilians and clerical	2,092,052	1,969,052	1,868,565	100,487	1,863,714
Crossing guards	126,072	122,072	120,104	1,968	115,413
Temporary employees	30,000	57,500	54,269	3,231	47,231
Overtime - policemen	1,476,800	1,576,800	1,453,031	123,769	1,491,601
Overtime - civilians	45,000	32,000	22,550	9,450	51,375
Employee benefits:					
Shift premium	325,000	326,000	318,549	7,451	304,416
Gun allowance	183,750	183,750	179,683	4,067	177,569
Education allowance	57,200	57,200	56,833	367	60,567
Cleaning allowance	147,000	147,000	143,612	3,388	144,094
Social security	356,677	356,677	340,194	16,483	327,645
Holiday pay	892,427	882,427	861,857	20,570	826,864
Employee insurances	3,001,062	3,001,062	3,399,594	(398,532)	3,027,556
Retiree health insurance	2,978,424	2,978,424	2,916,705	61,719	2,827,657
Longevity	413,245	413,245	395,303	17,942	403,044
Retirement fund	4,742,923	4,742,923	1,358,067	3,384,856	1,153,491
Cost of living	49,438	49,438	27,063	22,375	38,742
Uniforms	115,330	145,330	145,330	-	132,130
Office supplies	80,000	80,000	73,035	6,965	69,963
Other services and charges:					
Operating expense	52,000	52,000	45,176	6,824	40,899
Ammunition	31,000	31,000	26,546	4,454	21,155
Contractual services	290,000	285,000	232,808	52,192	142,524
Postage	5,500	8,500	8,820	(320)	6,427
Special investigations	10,000	6,000	6,000	-	-
Prisoners' food	20,000	22,500	21,135	1,365	18,599
Crime prevention	6,000	6,000	5,936	64	5,986
Instruction	56,000	56,000	53,199	2,801	54,478
911 Dispatch training expense	10,000	10,000	-	10,000	4,897
Telephone and radio	145,000	125,000	104,963	20,037	93,120
Vehicle maintenance	150,000	193,000	190,808	2,192	144,219
Aviation unit maintenance	175,000	105,000	88,923	16,077	159,349
Community promotion	2,500	2,500	956	1,544	916
Explorers	2,000	2,000	1,704	296	30
Youth Athletic League	6,000	6,000	5,130	870	4,602
DARE operating expense	20,000	20,000	19,939	61	18,722
Public utilities	150,000	162,000	153,387	8,613	151,761
Building maintenance	65,000	52,840	37,389	15,451	43,986
Capital outlay:					
Capital improvements	31,569	135,299	83,199	52,100	-
Office equipment	29,831	28,031	17,864	10,167	42,509
Fleet turnover	-	19,633	19,633	-	-
Police equipment	38,585	28,118	27,224	894	53,683
911 equipment	80,000	80,000	-	80,000	-
Metro Medical Response Grant equipment	-	20,835	20,835	-	-
Law Enforcement Grant equipment	-	450,603	313,973	136,630	380,619
State Domestic Preparedness grant	-	239,722	164,628	75,094	-
Juvenile Accountability Block Grant expense	-	-	-	-	96,316
<b>Total police department</b>	<b>34,224,702</b>	<b>35,004,798</b>	<b>31,078,511</b>	<b>3,926,287</b>	<b>29,550,683</b>

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
Public safety, continued:					
<b>Animal control:</b>					
Personal services:					
Permanent employees	\$ 92,463	\$ 92,463	\$ 90,372	\$ 2,091	\$ 78,129
Temporary employees	9,000	9,000	8,452	548	8,548
Overtime	3,942	3,942	443	3,499	6,417
Employee benefits:					
Social security	8,278	8,278	7,615	663	7,195
Employee insurances	15,865	15,865	20,144	(4,279)	18,037
Retiree health insurance	18,008	18,008	17,055	953	15,734
Longevity	978	978	976	2	940
Retirement fund	19,881	19,881	18,514	1,367	14,606
Cost of living	430	430	222	208	292
Uniforms	760	760	382	378	430
Operating supplies	1,200	1,200	938	262	768
Other services and charges:					
Contractual services	1,200	1,200	-	1,200	920
Animal collections	45,000	75,000	70,486	4,514	66,316
Vehicle maintenance	4,200	4,200	3,831	369	2,402
Capital outlay:					
Office equipment	1,200	1,200	-	1,200	-
<b>Total animal control</b>	<u>222,405</u>	<u>252,405</u>	<u>239,430</u>	<u>12,975</u>	<u>220,734</u>
<b>Civil defense:</b>					
Personal services:					
Policemen	80,843	82,743	82,673	70	69,169
Overtime	8,000	6,100	3,853	2,247	3,725
Shift premium	250	250	5	245	28
Employee benefits:					
Gun allowance	750	750	750	-	750
Cleaning allowance	600	600	600	-	600
Holiday pay	4,317	4,317	4,316	1	4,172
Employee insurances	11,984	11,984	14,711	(2,727)	12,858
Retiree health insurance	13,094	13,094	12,740	354	10,897
Longevity	3,100	3,100	3,100	-	3,100
Retirement fund	21,502	21,502	4,367	17,135	3,247
Cost of Living	167	167	98	69	132
Uniforms	600	600	-	600	600
Office supplies	1,000	1,000	-	1,000	333
Operating supplies	1,200	1,200	509	691	-
Other services and charges:					
Contractual services	6,000	6,000	1,800	4,200	2,099
Telephone and sirens	8,000	8,000	3,942	4,058	8,430
Public utilities	400	400	57	343	57
Capital outlay:					
Capital improvements	-	100,000	100,000	-	-
<b>Total civil defense</b>	<u>161,807</u>	<u>261,807</u>	<u>233,521</u>	<u>28,286</u>	<u>120,197</u>
<b>Traffic safety:</b>					
Services & special projects	1,200	1,200	851	349	1,000
Crossing guard equipment and awards	1,300	1,300	-	1,300	923
Traffic Safety Association of Macomb County	-	-	-	-	4,147
<b>Total traffic safety</b>	<u>2,500</u>	<u>2,500</u>	<u>851</u>	<u>1,649</u>	<u>6,070</u>



CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003
	Original Budget	Amended Budget	Actual	Variance	Actual
Public safety, continued:					
<b>Crime commission:</b>					
Office supplies	\$ 1,500	\$ 1,500	\$ 1,487	\$ 13	\$ 1,165
Other services and charges:					
Telephone	400	400	246	154	266
Community promotion and public relations	16,500	16,500	10,677	5,823	11,142
Public utilities	2,500	2,500	2,140	360	1,901
Capital outlay:					
Office equipment	1,000	1,000	-	1,000	767
<b>Total crime commission</b>	<b>21,900</b>	<b>21,900</b>	<b>14,550</b>	<b>7,350</b>	<b>15,241</b>
 <b>Total public safety</b>	 <b>54,252,070</b>	 <b>62,054,290</b>	 <b>56,024,563</b>	 <b>6,029,727</b>	 <b>47,088,930</b>
 City development:					
<b>Engineering and inspections:</b>					
Personal services:					
Supervisory	47,676	50,026	50,023	3	45,977
Engineers and inspectors	830,945	742,945	720,904	22,041	657,096
Clerical	93,051	93,051	92,977	74	89,462
Temporary employees - inspection	8,000	1,000	-	1,000	7,052
Temporary employees - drafting	16,640	23,640	22,375	1,265	13,685
Overtime - engineers and inspectors	150,000	220,000	207,462	12,538	211,170
Overtime - clerical	1,000	9,000	5,102	3,898	2,505
Employee benefits:					
Social security	91,230	91,230	81,253	9,977	80,230
Employee insurances	171,912	167,362	146,925	20,437	134,762
Retiree health insurance	213,226	213,226	205,951	7,275	191,648
Longevity	30,067	31,567	31,529	38	28,430
Retirement fund	290,526	290,526	264,742	25,784	213,969
Cost of living	3,795	3,795	1,685	2,110	2,472
Uniforms	1,900	1,900	1,473	427	1,328
Auto allowance	3,600	3,600	1,800	1,800	1,800
Operating supplies	22,000	30,000	18,599	11,401	19,684
Other services and charges:					
Software services	-	-	-	-	4,538
Contractual services - engineering and inspections	50,000	50,000	54,262	(4,262)	156,624
Postage	1,300	1,300	938	362	692
Telephone and radio	6,700	6,700	4,216	2,484	5,294
Mileage	100	100	-	100	-
Auto expense	11,000	11,700	10,307	1,393	9,790
Public utilities	13,000	15,000	13,184	1,816	13,256
Memberships and dues	7,500	7,500	5,930	1,570	7,484
<b>Total engineering and inspections</b>	<b>2,065,168</b>	<b>2,065,168</b>	<b>1,941,637</b>	<b>123,531</b>	<b>1,898,948</b>

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
 DETAILED BUDGETARY COMPARISON SCHEDULE -  
 EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004  
 With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
City development, continued:					
<b>Building inspections:</b>					
Personal services:					
Supervisory	\$ 167,679	\$ 172,079	\$ 171,911	\$ 168	\$ 147,438
Inspectors	809,289	784,339	667,160	117,179	597,159
Clerical	218,860	221,660	220,021	1,639	207,225
Clerical Co-op / Temporary	15,000	30,000	29,674	326	31,392
Overtime - inspectors	11,000	11,000	8,990	2,010	8,499
Overtime - clerical	4,000	4,000	352	3,648	344
Fees and per diem	6,000	6,000	3,565	2,435	5,532
Employee benefits:					
Social security	97,213	97,213	86,733	10,480	80,982
Employee insurances	180,562	180,562	173,335	7,227	147,024
Retiree health insurance	230,301	230,301	205,252	25,049	183,986
Longevity	32,226	34,676	34,651	25	31,072
Retirement fund	273,180	273,180	235,024	38,156	181,142
Cost of living	4,300	4,300	1,966	2,334	2,244
Auto allowance	3,600	3,600	3,600	-	3,600
Office supplies	20,000	20,000	19,263	737	18,871
Other services and charges:					
Software services	4,000	4,000	3,304	696	1,800
Contractual services - inspectors	115,000	115,000	114,969	31	123,426
Nuisance abatements:					
Title search	6,000	6,000	4,208	1,792	2,500
Demolition expense	10,000	10,000	288	9,712	708
Postage	4,000	4,300	3,721	579	3,113
Auto expense	9,000	9,000	5,630	3,370	6,667
Capital outlay:					
Office equipment	-	9,872	9,872	-	-
<b>Total building inspections</b>	<b>2,221,210</b>	<b>2,231,082</b>	<b>2,003,489</b>	<b>227,593</b>	<b>1,784,724</b>

(continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
City development, continued:					
<b>Service division:</b>					
Personal services:					
Permanent employees	\$ 317,363	\$ 317,363	\$ 172,588	\$ 144,775	\$ 268,201
Seasonal employees	60,000	49,990	34,209	15,781	35,600
Overtime	5,000	5,000	2,196	2,804	4,008
Employee benefits:					
Social security	30,127	30,127	16,622	13,505	23,953
Employee insurances	66,214	66,214	29,189	37,025	36,123
Retiree health insurance	60,521	60,521	33,306	27,215	52,119
Longevity	5,085	5,095	5,094	1	10,169
Retirement fund	77,203	77,203	33,901	43,302	53,236
Cost of living	1,290	1,290	309	981	483
Office supplies	6,000	7,000	5,149	1,851	4,931
Other services and charges:					
Weed mowing program	50,000	50,000	45,008	4,992	28,863
Rodent control program	3,000	3,000	800	2,200	1,504
Housing code enforcement program	84,000	93,000	84,966	8,034	83,453
Postage	2,200	2,200	1,244	956	1,213
West Nile Virus expense	-	38,265	28,740	9,525	33,151
Auto expense	1,500	1,500	1,346	154	1,156
Capital outlay:					
Office equipment	-	1,533	1,533	-	1,817
<b>Total service division</b>	<b>769,503</b>	<b>809,301</b>	<b>496,200</b>	<b>313,101</b>	<b>639,980</b>
<b>Public Service Director:</b>					
Personal services:					
Appointed official	101,774	101,774	101,774	-	98,161
Permanent employees	189,282	189,282	189,282	-	182,999
Clerical Co-op	21,000	22,300	21,952	348	21,429
Overtime	5,000	2,500	-	2,500	1,691
Employee benefits:					
Social security	24,152	25,152	24,639	513	23,795
Employee insurances	35,002	35,002	43,321	(8,319)	39,087
Retiree health insurance	56,153	58,153	57,632	521	55,783
Longevity	8,100	8,100	8,100	-	7,365
Retirement fund	50,655	51,155	50,556	599	46,209
Cost of living	860	860	441	419	547
Office supplies	6,500	4,000	2,239	1,761	4,096
Other services and charges:					
Postage	800	800	542	258	945
Auto expense	3,000	3,200	2,727	473	2,432
Capital outlay:					
Office equipment	4,250	4,250	3,959	291	-
<b>Total public service director</b>	<b>506,528</b>	<b>506,528</b>	<b>507,164</b>	<b>(636)</b>	<b>484,539</b>

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
City development, continued:					
<b>Planning:</b>					
Personal services:					
Appointed official	\$ 86,214	\$ 86,214	\$ 86,214	\$ -	\$ 83,118
Permanent employees	370,541	370,541	327,836	42,705	325,781
Co-op employees - planning aides	13,000	14,200	13,315	885	13,618
Overtime	8,000	8,000	10,671	(2,671)	7,799
Meeting allowance	9,450	9,450	6,650	2,800	6,510
Employee benefits:					
Social security	38,304	38,304	35,013	3,291	34,236
Employee insurances	63,530	63,530	59,777	3,753	57,316
Retiree health insurance	89,301	89,301	83,066	6,235	80,628
Longevity	15,210	15,215	15,211	4	13,065
Retirement fund	115,429	115,429	100,991	14,438	85,791
Cost of living	1,505	1,505	604	901	894
Auto allowance	3,600	3,600	3,600	-	3,600
Office supplies	13,000	11,795	8,627	3,168	6,717
Other services and charges:					
Contractual services	18,000	18,000	7,706	10,294	7,485
Tax reverted property expense	6,000	29,088	11,990	17,098	17,912
Postage	3,800	3,800	3,255	545	2,830
Mileage	2,200	2,200	1,321	879	1,420
Publications - advertising	7,000	7,000	3,168	3,832	2,513
Membership and dues	21,000	21,000	19,849	1,151	20,681
Capital outlay:					
Office equipment	2,800	2,800	1,200	1,600	8,633
<b>Total planning</b>	<b>887,884</b>	<b>910,972</b>	<b>800,064</b>	<b>110,908</b>	<b>780,547</b>
<b>Zoning board of appeals:</b>					
Meeting allowance	7,560	7,560	6,300	1,260	6,020
Office supplies	2,200	2,200	752	1,448	660
Other services and charges:					
Outside court reporter	6,000	6,000	5,500	500	5,750
Postage	6,000	6,000	5,681	319	4,201
<b>Total zoning board of appeals</b>	<b>21,760</b>	<b>21,760</b>	<b>18,233</b>	<b>3,527</b>	<b>16,631</b>
<b>Total city development</b>	<b>6,472,053</b>	<b>6,544,811</b>	<b>5,766,787</b>	<b>778,024</b>	<b>5,605,369</b>

(continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003
	Original Budget	Amended Budget	Actual	Variance	Actual
Highways and streets:					
Street maintenance:					
Employee benefits:					
Uniforms	\$ 6,650	\$ 6,650	\$ 6,650	\$ -	\$ 6,650
Operating supplies	4,000	4,000	2,196	1,804	4,605
Total expenditures	10,650	10,650	8,846	1,804	11,255
Other uses:					
Reimbursement to major streets	64,847	64,847	64,847	-	61,050
Reimbursement to local streets	84,847	91,847	95,086	(3,239)	80,810
Total other uses	149,694	156,694	159,933	(3,239)	141,860
Total street maintenance	160,344	167,344	168,779	(1,435)	153,115
Highway street lighting:					
Street lighting	2,400,000	2,400,000	2,192,738	207,262	2,119,043
Total expenditures	2,410,650	2,410,650	2,201,584	209,066	2,130,298
Total other uses	149,694	156,694	159,933	(3,239)	141,860
Total highways and streets	2,560,344	2,567,344	2,361,517	205,827	2,272,158
Recreation and culture:					
Cultural commission:					
Office supplies	800	800	611	189	578
Other services and charges:					
Contractual services - sound system	11,000	11,000	10,370	630	11,000
Concert band	1,500	1,500	1,500	-	1,500
Summer program	43,000	43,000	41,401	1,599	39,965
Art consultant	12,000	12,000	12,000	-	11,000
Artist in residence program	1,500	1,500	1,299	201	800
Art festival	4,000	4,000	3,770	230	3,840
Handicapped program	7,500	7,875	7,225	650	7,475
Memorial scholarship award	1,200	1,200	1,200	-	1,200
Warren Community Chorus	1,500	1,500	1,500	-	1,500
Warren Symphony Orchestra	1,500	1,500	1,500	-	1,500
Warren Tri-County Fine Arts	1,500	1,500	1,500	-	1,500
Total cultural commission	87,000	87,375	83,876	3,499	81,858
Historical commission:					
Office supplies	1,800	1,800	1,476	324	1,287
Other services and charges:					
Community promotion and public relations	3,000	3,000	2,869	131	35
Memberships and dues	400	400	268	132	320
Historical site plaques	2,500	2,500	2,177	323	2,070
Museum expense	5,000	5,000	3,867	1,133	1,248
Union Cemetery fence	-	5,782	5,781	1	-
Total historical commission	12,700	18,482	16,438	2,044	4,960

(continued)

## EXHIBIT C-3 (continued)

CITY OF WARREN, MICHIGAN  
DETAILED BUDGETARY COMPARISON SCHEDULE -  
EXPENDITURES AND OTHER FINANCING USES

GENERAL FUND

Year ended June 30, 2004

With Comparative Actual Totals for Year Ended June 30, 2003

	2004				2003 Actual
	Original Budget	Amended Budget	Actual	Variance	
Recreation and culture (continued):					
<b>Village historical commission:</b>					
Office supplies	\$ 900	\$ 900	\$ 166	\$ 734	\$ 237
Other services and charges:					
Community promotion and public relations	4,600	4,600	1,151	3,449	2,177
Public utilities	2,800	2,800	2,309	491	2,283
Union Cemetery fence	-	5,782	5,781	1	-
Lighting project	9,000	9,000	8,998	2	-
<b>Total village historical commission</b>	<u>17,300</u>	<u>23,082</u>	<u>18,405</u>	<u>4,677</u>	<u>4,697</u>
<b>Total recreation and culture</b>	<u>117,000</u>	<u>128,939</u>	<u>118,719</u>	<u>10,220</u>	<u>91,515</u>
<b>Debt service:</b>					
1991 Capital equipment loan payments	-	-	-	-	218,571
D.P.W. garage lease	110,517	110,517	110,517	-	110,517
Energy program - police building	266,101	266,101	266,101	-	266,101
Energy program - city hall	198,708	198,708	198,707	1	198,707
<b>Total debt service</b>	<u>575,326</u>	<u>575,326</u>	<u>575,325</u>	<u>1</u>	<u>793,896</u>
<b>Total expenditures</b>	<u>90,159,643</u>	<u>95,786,083</u>	<u>86,788,836</u>	<u>8,997,247</u>	<u>77,205,286</u>
<b>Total other uses</b>	<u>1,186,694</u>	<u>1,193,694</u>	<u>1,191,859</u>	<u>1,835</u>	<u>893,160</u>
<b>Total General Fund</b>	<u>\$ 91,346,337</u>	<u>\$ 96,979,777</u>	<u>\$ 87,980,695</u>	<u>\$ 8,999,082</u>	<u>\$ 78,098,446</u>